



April 11, 2014

Dear Shareholders:

A special meeting (the “meeting”) of shareholders of New Commerce Split Fund (“New Commerce”) will be held at 10:00 a.m. on Wednesday, May 14, 2014 at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, 40th floor, Commerce Court West, Toronto, Ontario.

The primary purpose of the meeting is to consider and vote upon a special resolution that would allow shareholders to maintain their investment beyond the scheduled termination date of December 1, 2014. The special resolution, if approved, would change the termination date to December 1, 2019.

The reasons for the term extension proposal are as follows:

- **Shareholders will have the opportunity to continue to participate in any continued strengthening of CIBC common shares.**

CIBC common shares have experienced a significant recovery from the March 2009 lows and have also resumed their historical trend as an above average dividend growth stock with total dividend increases of 12.6% since 2010.

- **Capital Shareholders could continue to benefit on a leveraged basis to any market appreciation or dividend increases in the CIBC common shares (held in the portfolio) over the extended time period an expanded time horizon.**

Capital shares had an annual return of 376.99% and an annual compound return of 87.39% over the last 3 years as at November 30, 2013 (most recent fiscal year end) reflecting the leveraged participation in the continued strengthening of the market price of CIBC common shares held in the portfolio. Class A shareholders would continue to benefit on a leveraged basis to any further strengthening of CIBC shares.

- **Extending the term allows for the continuation of active management of the portfolio.**

The following changes will also be implemented if the special resolution is approved.

Class I Preferred share monthly dividends would be set at 6% per annum for the initial extension period beginning with the December 2014 monthly dividend.

Class II Preferred share monthly dividends would be set at 7.5% per annum, effective June 2014, contingent on the net asset value per unit exceeding \$10 per unit. The current net asset value per unit is \$11.73 as at March 31, 2014.

The net assets of New Commerce are \$29.7 million as at March 31, 2014 and the Manager believes that it would be in the interest of shareholders to increase the size of New Commerce. An increase in net assets could have the benefits of increasing the trading liquidity for the shares on the TSX and lowering the management expense ratio of the New Commerce. New Commerce proposes a warrant offering to Capital shareholders as a means to increase the size of the fund. If the extension proposal is passed, the proposed warrant offering is expected to occur sometime during the second half of 2014 subject to receiving all required approvals.

New Commerce is also proposing some administrative changes that do not affect the operation of the Fund or the attributes of the shares. These proposed changes include a) removing the reference to the fixed termination date in the wording of New Commerce's investment objective, and b) allowing New Commerce to pay a special non cash dividend to Capital shares where the sole purpose of making such a dividend would be to avoid having to paying net tax in New Commerce.

The attached Notice of Special Meeting of Shareholders and the Information Circular, which you should read carefully, contains a detailed description of the special resolution and other information that will assist you in making an informed decision.

The Board of Directors of New Commerce has determined that the special resolution is in the best interests of New Commerce and its shareholders. Accordingly, the Board of Directors recommends that shareholders vote FOR the special resolution. The Independent Review Committee of New Commerce has also unanimously determined that the calling and holding of the Special Meeting to consider the matters described in the Circular, on terms set forth in the Circular, achieves a fair and reasonable result for shareholders.

If you are a shareholder of New Commerce, you are strongly encouraged to vote on the special resolution by completing and returning the enclosed Proxy using any of the methods described as soon as possible, and no later than May 12, 2014 at 10:00 am.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Finch', with a stylized flourish extending to the right.

Wayne Finch
President and Chief Executive Officer
New Commerce Split Fund.



NEW COMMERCE SPLIT FUND

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

Special Meeting to be held at 10:00 a.m. on Wednesday, May 14, 2014

At the offices of Blake, Cassels & Graydon LLP

199 Bay Street, 40th Floor

Commerce Court West

Toronto, Ontario

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT a special meeting of the holders (the **Shareholders**) of the Class I Preferred Shares, Class II Preferred Shares and the Capital Shares (collectively the **Shares** and together a **Unit**) of New Commerce Split Fund (the **Company**) will be held at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, 40th Floor, Toronto, Ontario, on Wednesday, May 14, 2014 at 10:00 a.m. for the following purposes:

- (a) to consider and, if thought advisable, to approve a special resolution (the text of which is set out as Appendix A to the Management Information Circular dated April 11, 2014 which accompanies this Notice of Special Meeting of Shareholders (the **Circular**)):
 - (i) authorizing the board of directors of the Company (the **Board of Directors**) to amend the articles of incorporation of the Company, as amended (the **Articles**), to extend the term of the Company as follows:
 - (A) to extend the termination date of the Company from December 1, 2014 to, initially, December 1, 2019;
 - (B) to provide Shareholders with the “2014 Special Retraction Right” in connection with such extension, as described in the Circular;
 - (C) to provide the Company with a special redemption right in respect of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares in connection with the implementation of the 2014 Special Retraction Right, if necessary or desirable so as to ensure that after any such implementation an equal number of Shares of each class remain outstanding;
 - (D) to permit a subdivision or consolidation of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares to the extent that the Board of Directors in its discretion considers such subdivision or consolidation necessary or advisable in connection with the implementation of the 2014 Special Retraction Right, so as to ensure that after any such implementation an equal number of Shares of each class remain outstanding;
 - (E) to provide for an additional extension of the term of the Company for a five year period beginning on December 1, 2019 if the Board of Directors so determines, and for further extensions for additional terms of five years each thereafter, and provide Shareholders with a “Continuing Special Retraction Right” in connection with each such extension as described in the Circular;
 - (F) to provide for a special redemption of the Class I Preferred Shares, Class II Preferred Shares or Capital Shares in connection with any implementation of a Continuing Special Retraction Right if necessary or desirable to ensure that after each such implementation an equal number of Shares of each class remain outstanding; and
 - (G) to permit a subdivision or consolidation of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares to the extent that the Board of Directors in its discretion considers such subdivision or consolidation necessary or advisable in connection with any implementation of the Continuing Special Retraction

Right, so as to ensure that after each such implementation an equal number of Shares of each class remain outstanding; and

- (ii) authorizing the Board of Directors to amend the Articles to amend the dividend entitlement of the Class I Preferred Shares, effective for the December 2014 monthly dividend, to decrease the monthly dividend payable on the Class I Preferred Shares to \$0.025 per Class I Preferred Share;
 - (iii) authorizing the Board of Directors to amend the Articles to amend the dividend entitlement of the Class II Preferred Shares, effective for the June 2014 monthly dividend, to provide that a dividend may be paid at the prescribed rate if the net asset value of the Company is greater than \$10.00;
 - (iv) authorizing the Board of Directors to amend the Articles to amend the dividend entitlement of the Class I Preferred Shares and the Class II Preferred Shares, effective December 1, 2019, if the term of the Company is then extended, so as to provide the Company with the right to establish the rate of cumulative preferential monthly dividends to be paid on the Class I Preferred Shares and on the Class II Preferred Shares for the five year renewal period commencing December 1, 2019, and in respect of any subsequent five year renewal term;
 - (v) changing the wording of the Company's investment objective, not impacting the management of the Company's assets, as more particularly set out in the Circular;
 - (vi) permitting the Company to pay special year-end non-cash dividends on the Capital Shares even if, after payment of such a dividend, the net asset value per Unit would be less than \$15.00, where the purpose of such a special dividend in a year would be to reduce or eliminate the amount of net tax payable by the Company under the *Income Tax Act* (Canada) for that year; and
 - (vii) permitting the Company to issue warrants to holders of the Capital Shares, on the terms set out in the Circular; and
- (b) to transact such further and other business as may properly come before the special meeting or any adjournment or adjournments thereof (the **Meeting**).

Shareholders will be entitled to vote separately as a class on the special resolution referred to above.

The specific details of the foregoing matters to be put before the Meeting, and the text of the special resolution in substantially the form in which it will be put to Shareholders at the Meeting, are set forth in the Circular.

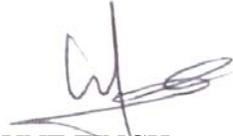
All Shareholders are invited to attend the Meeting but beneficial Shareholders will not be recognized at the Meeting for purposes of voting their Shares in person or by way of proxy unless they comply with certain procedures. If you are a beneficial Shareholder and wish to vote in person at the Meeting,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

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares of the Company were deposited in “book entry only” form; therefore CDS & Co., the nominee of CDS Clearing and Depository Services Inc., is the only registered holder of such Shares. Accordingly, all non-registered Shareholders who receive these materials through their broker or other intermediary and wish to vote on the special resolution must complete and send the form of proxy in accordance with the instructions provided by their broker or other intermediary.

To be effective, a proxy must be received by the Proxy Department of Computershare Investor Services Inc. or by the Chairman of the Meeting not later than May 12, 2014 at 10:00 a.m., or in the case of any adjournment of the Meeting, not less than 48 hours (Saturdays, Sundays and holidays excepted) prior to the time of the adjournment.

DATED at Toronto, Ontario this 11th day of April, 2014.

By Order of the Board of Directors
of Commerce Split Corp.

A handwritten signature in black ink, appearing to read 'Wayne Finch', is written over a horizontal line.

WAYNE FINCH
President and Chief Executive Officer

COMMERCE SPLIT CORP.

This management information circular (the **Circular**) is furnished in connection with the solicitation by the directors (the **Board of Directors**) of New Commerce Split Fund (the **Company**) and by its investment fund manager, Quadravest Capital Management Inc. (the **Manager**), of proxies to be used at the special meeting of the holders (the **Shareholders**) of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares (collectively, the **Shares** and together a **Unit**) of the Company to be held on Wednesday, May 14, 2014, or at any adjournment of such special meeting (the **Meeting**). References to **Management** in this Circular refer to the Board of Directors and Quadravest collectively. All references to time in this Circular or and the accompanying Notice of Special Meeting of Shareholders are to local time in Toronto, Ontario.

Shareholders are being asked at the Meeting to consider and, if thought advisable, to approve a special resolution, the text of which is set out as Appendix A to this Circular:

- (a) to authorize the Board of Directors to amend the articles of incorporation of the Company, as amended (the **Articles**), to extend the term of the Company as follows:
 - (i) to extend the termination date of the Company from December 1, 2014 to, initially, December 1, 2019;
 - (ii) to provide Shareholders with the “2014 Special Retraction Right” in connection with such extension, as described in this Circular;
 - (iii) to provide the Company with a special redemption right in respect of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares in connection with the implementation of the 2014 Special Retraction Right, if necessary or desirable so as to ensure that after any such implementation an equal number of Shares of each class remain outstanding;
 - (iv) to permit a subdivision or consolidation of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares to the extent that the Board of Directors in its discretion considers such subdivision or consolidation necessary or advisable in connection with the implementation of the 2014 Special Retraction Right, so as to ensure that after any such implementation an equal number of Shares of each class remain outstanding;
 - (v) to provide for an additional extension of the term of the Company for a five year period beginning on December 1, 2019 if the Board of Directors so determines, and for further extensions for additional terms of five years each thereafter, and to provide Shareholders with a “Continuing Special Retraction Right” in connection with each such extension as described in the Circular;
 - (vi) to provide for a special redemption of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares in connection with any implementation of a Continuing Special Retraction Right if necessary or desirable to ensure that after each such implementation an equal number of Shares of each class remain outstanding; and
 - (vii) to permit a subdivision or consolidation of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares to the extent that the Board of Directors in its discretion considers such subdivision or consolidation necessary or advisable

in connection with any implementation of the Continuing Special Retraction Right, so as to ensure that after each such implementation an equal number of Shares of each class remain outstanding;

- (b) to authorize the Board of Directors to amend the Articles to amend the dividend entitlement of the Class I Preferred Shares, effective for the December 2014 monthly dividend, to decrease the monthly dividend payable on the Class I Preferred Shares to \$0.025 per Class I Preferred Share;
- (c) to authorize the Board of Directors to amend the Articles to amend the dividend entitlement of the Class II Preferred Shares, effective for the June 2014 monthly dividend, to provide that a dividend may be paid at the prescribed rate if the net asset value of the Company is greater than \$10.00;
- (d) to authorize the Board of Directors to amend the Articles to amend the dividend entitlement of the Class I Preferred Shares and the Class II Preferred Shares, effective December 1, 2019, if the term of the Company is then extended, so as to provide the Company with the right to establish the rate of cumulative preferential monthly dividends to be paid on the Class I Preferred Shares and on the Class II Preferred Shares for the five year renewal period commencing December 1, 2019, and in respect of any subsequent five year renewal term;
- (e) to change the wording of the Company's investment objective, not impacting the management of the Company's assets, as more particularly set out herein;
- (f) to permit the Company to pay special year-end non-cash dividends on the Capital Shares even if, after payment of such a dividend, the net asset value per Unit would be less than \$15.00, where the purpose of such a special dividend in a year would be to reduce or eliminate the amount of net tax payable by the Company under the *Income Tax Act* (Canada) (the **Tax Act**) for that year; and
- (g) to permit the Company to issue warrants to holders of the Capital Shares, on the terms set out herein.

VOTING RIGHTS, RECORD DATE, QUORUM AND PROXY INFORMATION

To be used at the Meeting, a proxy must be deposited with Computershare Investor Services Inc. at 100 University Avenue, Toronto, Ontario M5J 2Y1 (or, if by facsimile, sent to: 416-263-9524 or 1-866-249-7775) or with the Chairman of the Meeting at any time up to 10:00 a.m. on May 12, 2014 or, in the case of any adjournment of the Meeting, not less than 48 hours (Saturdays, Sundays and holidays excepted) prior to the time of the adjournment.

Only holders of record of Class I Preferred Shares, Class II Preferred Shares or Capital Shares at the close of business on April 9, 2014 will be entitled to vote their Shares in respect of the matters to be voted on at the Meeting. With respect to each matter properly brought before the Meeting, a Shareholder shall be entitled to one vote for each Share registered in the name of such Shareholder. Holders of Class I Preferred Shares, Class II Preferred Shares and Capital Shares will be entitled to vote separately as a class on the special resolution which, to be effective, must be approved by not less than 66 2/3% of the votes cast by the holders of each such class, respectively, at the Meeting.

Pursuant to the Articles, a quorum at the Meeting will consist of two or more Shareholders present in person or represented by proxy holding not less than 10% of the outstanding Capital Shares, Class I Preferred Shares or Class II Preferred Shares, as applicable, of the Company. If the quorum requirement is not satisfied within one-half hour of the scheduled time for the Meeting, then the Meeting

will be adjourned by the Chairman of the Meeting to 10:00 a.m. on May 16, 2014. At such adjourned Meeting, the Shareholders then present in person or represented by proxy will form a quorum.

Appointment of Proxy Holders

Shareholders who are unable to be present at the Meeting may still vote through the use of proxies. If you are a Shareholder, you should complete, execute and return the enclosed proxy form. By completing and returning the enclosed proxy form, you can participate in the Meeting through the person or persons named on the form.

Discretionary Authority of Proxies

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

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

Alternate Proxy

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

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

Revocation of Proxies

A Shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the Shareholder or by the Shareholder's attorney, who is authorized in writing, or by transmitting, by telephonic or electronic means, a revocation signed by electronic signature by the Shareholder or by the Shareholder's attorney, who is authorized in writing, to or at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the

Chairman of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A Shareholder may also revoke a proxy in any other manner permitted by law.

Solicitation of Proxies and Meeting Costs

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

The Company will also pay a dealer whose clients hold Class I Preferred Shares, Class II Preferred Shares or Capital Shares of the Company a fee of \$0.05 in respect of each Class I Preferred Share, Class II Preferred Share or Capital Share voted by the client of such dealer in favour of the special resolution, to a maximum of \$1,000 per beneficial holder.

Advice to Beneficial Holders

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

Applicable securities laws or policies require intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to that provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholders. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (**Broadridge**). Broadridge typically prepares a voting instruction form which it mails to the Beneficial Shareholders and asks Beneficial Shareholders to complete and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form cannot use that form to vote Shares directly at the Meeting; the voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Shares voted.**

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

Forward Looking Information

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

DESCRIPTION OF THE COMPANY

Information About the Company

This section provides selected information about the Company. Additional information about the Company is available in its annual information form dated February 26, 2014 (the **Annual Information Form**), the audited annual financial statements of the Company for the year ended November 30, 2013 and the annual management report of fund performance for such period, and the Company's quarterly portfolio disclosure as at February 28, 2014. Such documents are available on the Company's website, from the Manager upon request or (with the exception of the quarterly portfolio holdings) on SEDAR at www.sedar.com.

Incorporation and Public Offerings

The Company is a mutual fund corporation incorporated under the laws of Ontario by articles of incorporation dated November 27, 2006, as amended January 22, 2007 and March 24, 2010. The Company was created to provide exposure to common shares of Canadian Imperial Bank of Commerce (the **Bank**). The Manager acts as the manager and portfolio adviser of the Company. The principal office address of the Company is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7.

On February 16, 2007 and March 5, 2007, the Company completed its initial public offering of 8,710,000 Priority Equity Shares and 8,710,000 Class A Shares pursuant to a prospectus dated January 23, 2007 (the **Initial Prospectus**). Such offering was completed on the basis that an equal number of Priority Equity Shares and Class A Shares would be issued and outstanding at all times.

A special meeting of Shareholders was held on Thursday, February 3, 2010, at which a special resolution to reorganize the capital of the Company (the **2010 Capital Reorganization**) was passed. The Capital Reorganization resulted in the assets of the Company being allocated to two separate investment portfolios (each a **Fund**), designated the "Original Commerce Split Fund" and the "New Commerce Split Fund". The final redemption of all outstanding securities of the Original Commerce Split Fund occurred on October 31, 2012.

Under the New Commerce Split Fund, the Company created three new classes of shares: Preferred Shares, Class I (the **Class I Preferred Shares**), Preferred Shares, Class II (the **Class II Preferred Shares**) and Capital Shares. The Company also created 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**). Holders of the existing Priority Equity Shares who did not elect

to receive Priority Equity Shares 2010 of the Original Commerce Split Fund received the following securities for each Priority Equity Share held:

- (b) one Class I Preferred Share, having a notional issue price of \$5.00 and paying fixed cumulative preferential monthly dividends to yield 7.50% per annum on such notional issue price, and having a repayment objective on or about December 1, 2014 or such other date as the Company may terminate of \$5.00;
- (c) one Class II Preferred Share, having a notional issue price of \$5.00 and paying distributions to yield 7.50% per annum on such 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;
- (d) one-half of a 2011 Warrant, which could be exercised to purchase one Class I Preferred Share, one Class II Preferred Share and one Capital Share for an aggregate exercise price of \$10.00 at specified times until February 28, 2011; and
- (e) one 2012 Warrant, which could be exercised to purchase one Class I Preferred Share, one Class II Preferred Share and one Capital Share for an aggregate exercise price of \$12.50 at specified times until February 28, 2012.

Holders of the existing Class A Shares who did elect to receive Class A Shares 2010 of the Original Commerce Split Fund received approximately 0.28 of a Class A Share 2010 of the Original Commerce Split Fund and 0.72 of a Capital Share of the New Commerce Split Fund for each Class A Share held. (In order to ensure that there were an equal number of Priority Equity Shares 2010 and Class A Shares 2010 issued and outstanding after the completion of the Capital Reorganization, as well as an equal number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares outstanding thereafter, holders of Class A Shares who did not elect to participate in the Original Commerce Split Fund nevertheless were issued certain Class A Shares 2010 in such Fund). Capital Shares participate in any net asset value growth in the Company over \$10.00 per Unit and dividends will be paid on the Capital Shares only if and when the net asset value per Unit exceeds \$15.00.

On February 28, 2011 the 2011 Warrants expired. A total of 937,290 2011 Warrants were exercised for total proceeds of \$9,372,900. On February 28, 2012, the 2012 Warrants expired unexercised.

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares are listed on the Toronto Stock Exchange (**TSX**) under the symbols YCM.PR.B, YCM.PR.C and YCM, respectively.

Investment Objective

The Company's current investment objective with respect to the Class I Preferred Shares is (i) to provide holders of the Class I Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.03125 per Class I Preferred Share to yield 7.50% per annum on the notional issue price of the Class I Preferred Shares of \$5.00; and (ii) on or about the Termination Date, to pay the holders of the Class I Preferred Shares the notional issue price of the Class I Preferred Shares (the **Class I Preferred Share Repayment Amount**).

The Company's current investment objective with respect to the Class II Preferred Shares is (i) to provide holders of the Class II Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.03125 per Class II Preferred Share to yield 7.50% per annum on the notional issue price of the Class II Preferred Shares of \$5.00, such dividends to be paid only if and for so

long as the net asset value per Unit is greater than \$12.50; and (ii) on or about the Termination Date, to pay the holders of the Class II Preferred Shares the notional issue price of the Class II Preferred Shares (the **Class II Preferred Share Repayment Amount**).

The Company's current investment objective with respect to the Capital Shares is (i) to provide holders of the Capital Shares with such dividends as the directors of the Company may from time to time determine; and (ii) on or about the Termination Date, to pay the holders of Capital Shares such amounts as remain after paying the holders of the Class I Preferred Shares the Class I Preferred Share Repayment Amount and paying the holders of the Class II Preferred Shares the Class II Preferred Share Repayment Amount.

It is proposed that the wording of the Company's investment objective be amended, as discussed under "*Matters to be Voted on at the Meeting – Change to the Wording of the Company's Investment Objective*".

The Company invests in common shares of the Bank (the **Portfolio**). 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 the Bank 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 the 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 the Bank that it holds.

The Company is subject to certain investment restrictions, as set out in the Annual Information Form.

Share Capital

The Company is authorized to issue an unlimited number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares, and 1,000 Class B Shares, of which as at the date hereof there are issued and outstanding 1,000 Class B Shares, 2,533,477 Class I Preferred Shares, 2,533,477 Class II Preferred Shares and 2,533,477 Capital Shares.

Net Assets and Trading Prices

The net assets of the Company as at March 31, 2014 were approximately \$29.7 million and the net asset value per Unit was \$11.73. The closing trading price of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares on the TSX on April 9, 2014 was \$5.34, \$4.87 and \$1.50, respectively.

Dividends

The Company pays, as and when declared by the Board of Directors of the Company, a fixed cumulative preferential monthly cash dividend of \$0.03125 per Class I Preferred Share (to yield 7.50% per annum on the notional issue price of the Class I Preferred Shares of \$5.00) to holders of Class I Preferred Shares of record on the last day of each month. Regular monthly dividends were paid to holders of the Class I Preferred Shares each month during the Company's last fiscal year ended November 30, 2013 and each month in the current fiscal year.

The Company will pay, as and when declared by the Board of Directors of the Company, a fixed cumulative preferential monthly cash dividend of \$0.03125 per Class II Preferred Share (to yield 7.50% per annum on the notional issue price of the Class II Preferred Shares of \$5.00) to holders of Class II Preferred Shares of record on the last day of each month, provided that no dividends shall be declared or payable unless and until the net asset value per Unit exceeds \$12.50 (see “*Matters to be Voted on at the Meeting – Change in Dividend Entitlement for the Class II Preferred Shares*” for a proposed change to this restriction). No monthly dividends were paid to holders of Class II Preferred Shares during the Company’s last fiscal year ended November 30, 2013 or during the current fiscal year.

Holders of the Capital Shares will be provided with dividends in an amount to be set by the Board of Directors of the Company at its discretion, based on market conditions, provided that no dividends will be declared paid unless and until the net asset value per Unit exceeds \$15.00 (see “*Matters to be Voted on at the Meeting – Change in Year-End Distribution Rules*” for a proposed change to this restriction) and provided further that no dividends will be declared or paid unless all dividends on the Class I Preferred Shares and, if applicable, Class II Preferred Shares have been declared and paid or monies set aside for payment. 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. No monthly dividends were paid to holders of Capital Shares during the Company’s last fiscal year ended November 30, 2013 or during the current fiscal year.

The Manager

For a description of the Manager, see the Annual Information Form. The Manager receives management fees for its services to the Company as portfolio manager under an investment management agreement dated January 23, 2007, and receives administration fees for its services to the Company as investment fund manager under a management agreement dated January 23, 2007 between the Company and QuadraVest Inc., assigned to the Manager effective June 1, 2010. For the fiscal year of the Company ended November 30, 2013, and for the period from December 1, 2013 to March 31, 2014, the Manager received aggregate fees under such agreements of \$161,041 and \$51,370 from the Company, respectively. Certain of the officers and directors of the Company are also officers and directors of the Manager. These directors and officers do not receive any additional compensation from the Company for acting as directors and officers of the Company.

MATTERS TO BE VOTED ON AT THE MEETING

I. Extension of the Termination Date of the Company

The Articles of the Company currently provide that the Class I Preferred Shares, Class II Preferred Shares and Capital Shares shall be redeemed by the Company on the Termination Date, which is currently scheduled for December 1, 2014. Shareholders are being asked to pass the special resolution which would, among other things, extend the Termination Date initially to December 1, 2019. The reasons for the term extension proposal are as follows:

- ***Extending the life of the Company would allow Shareholders to participate in any continued strengthening of the Bank’s common shares***

The Company originally began operations on February 16, 2007 prior to the reorganization that created New Commerce Split Fund on March 26, 2010. During the period from September 2007 to

March 2009, the TSX declined by 44.8% from the peak trough and the Bank's common shares also declined by 53.8% during this period. Since 2009, governments across the world have intervened through massive monetary and fiscal stimulus in an attempt to aid the recovery in economies and markets. Over the last several years the North American economies and markets have responded and significantly improved.

The common shares of the Bank have experienced a significant recovery from the March 2009 lows. The common shares of the Bank have also resumed their historical trend as an above-average dividend growth stock, with dividends now having increased by 12.6% since 2010. The current yield of the Bank's common shares as at March 26, 2014 was 4.2%.

As a result of the improvement in the Bank's common shares, the net asset value per Unit has improved from \$9.94 on March 26, 2010 to \$11.73 on March 31, 2014 after the payment of \$0.03125 in dividends on the Class I Preferred Shares each month during the period. The net asset value of the Company attributable to the Capital Shares increased by 376.99% in the fiscal year of the Company ended November 30, 2013.

The extension of the term to December 1, 2019 would allow Capital Shareholders to continue to participate on a leveraged basis to any continued strengthening in the Bank's common shares over the extension period. Class I Preferred Shareholders would also continue to benefit through a continued stream of attractive monthly dividends and Class II Preferred Shareholders would begin to receive dividends at an annual rate of 7.5% beginning in June 2014 subject to the net asset value per Unit remaining above \$10.00.

- ***Long term investors may benefit from an expanded time horizon***

The proposal to extend the termination date to at least December 1, 2019 will facilitate greater investment flexibility for both existing Shareholders and potential new investors. An extended time horizon for the Company would allow current investors to continue to receive their current monthly distributions beyond December 1, 2014 as well as have an opportunity to have greater flexibility over the timing of any potential exit from their investment. Shareholders will continue to be able to have the opportunity to sell their investment in the market as well as have their regular monthly and annual retraction opportunities. Shareholders who do not wish to continue investing in the Company would be given the 2014 Special Retraction Right, as discussed below, which would allow them to retract their investment in the Company this year on terms similar to those that would apply on the termination of the Company. A longer term horizon should also make the Company more attractive to potential investors as they would have reduced market timing risk with a fund that has a time horizon of more than five years. This could have a favorable impact on the trading price of some or all classes of Shares.

- ***Extending the term allows for the continuation of active Portfolio management***

In the absence of the extension proposal, the Manager would have to begin winding down the investments in the Company in the fall of 2014. In particular, the income enhancement strategy (covered call writing strategy) employed by the Company would be adversely impacted in the final months before wind-up. This could result in the Company generating less income in the final months due to decreased market exposure.

Accordingly, Shareholders are being asked to extend the Termination Date of the Company initially by five years (from the current scheduled date) to December 1, 2019. If the special resolution is approved, the Class I Preferred Shares, Class II Preferred Shares and Capital Shares will continue to be listed and trade on the TSX and holders will also continue to have their normal

monthly and annual retraction rights, as described in the Annual Information Form, until the final redemption of all the Shares.

2014 Special Retraction Right

If the extension of the termination date to December 1, 2019 is approved at the Meeting, the Company will also amend the Articles to provide Shareholders with a special retraction right (the **2014 Special Retraction Right**) which is designed to provide Shareholders with an opportunity to retract their Shares effective November 28, 2014 and receive a retraction price that is calculated in the same way that such price would be calculated if the Company were to terminate on December 1, 2014 as originally contemplated.

If the extension of the Termination Date is approved, a Shareholder who retracts a Capital Share under the 2014 Special Retraction Right will receive a retraction price per Capital Share equal to the net asset value per Unit calculated on November 28, 2014, less \$10.00. If the net asset value per Unit on such date is not in excess of \$10.00, the retracting Capital Shareholder will receive a retraction price of nil. A Shareholder who retracts a Class I Preferred Share under the Special Retraction Right will receive a retraction price per Class I Preferred Share equal to the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 28, 2014. A Shareholder who retracts a Class II Preferred Share under the Special Retraction Right will receive a retraction price per Class II Preferred Share equal to nil if the net asset value per Unit calculated on November 28, 2014 is equal to or less than \$5.00, and otherwise will receive the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 28, 2014 less \$5.00. Shareholders wishing to take advantage of the 2014 Special Retraction Right must surrender their Shares for retraction no later than the close of business on October 31, 2014. Payment for the Shares so tendered for retraction pursuant to the 2014 Special Retraction Right will be made no later than December 19, 2014.

Implementing the 2014 Special Retraction Right

As noted above, Shares are issued on the basis that there will be an equal number of Shares of each class outstanding. As a result of the expected exercise of the 2014 Special Retraction Right, the Company may need to take steps to equalize the number of Shares of each class outstanding, depending upon the number of Shares of each class that are retracted. A number of options are open to the Company in this regard.

The special resolution will permit the Articles to be amended to provide the Company with a redemption right (the **Special Redemption Right**) which will allow it to redeem on a pro rata basis such number of Class I Preferred Shares, Class II Preferred Shares or Capital Shares as is required to achieve an equality of outstanding Shares of each class.

The redemption price paid in the case of a redemption of a Capital Share under the Special Redemption Right would be nil if the net asset value per Unit calculated on November 28, 2014 is equal to or less than \$10.00, and otherwise an amount per Capital Share equal to the net asset value per Unit on such date less \$10.00. The redemption price paid in the case of a redemption of a Class I Preferred Share under the Special Redemption Right will be the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 28, 2014. The redemption price paid in the case of a redemption of a Class II Preferred Share under the Special Redemption Right would be nil if the net asset value per Unit calculated on November 28, 2014 is equal to or less than \$5.00, and otherwise would be the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 28, 2014 less \$5.00. Payment would be made no later than December 19, 2014.

Also, the Company may, and the special resolution will permit the Company to, file an amendment to its Articles to effect a subdivision of its outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares, in each case on a basis that will maintain an equal number of Shares of each class outstanding.

It is also possible that the Company might be able to achieve an equality of outstanding Shares of each class following the exercise of the 2014 Special Retraction Right through a private placement of Shares of the class or classes for which there were the greater number of redemption requests, in an amount sufficient to achieve such equality, or it might be able to recirculate (that is, find purchasers for) a sufficient number of Shares of the class or classes for which there were the greater number of redemption requests, again in an amount sufficient to achieve such equality, or some combination of these two options.

The method or methods to be used by the Company to achieve such equality will be determined by the Board of Directors in its discretion, assisted by the recommendation of the Manager in this regard, having regard to which options or combination of options which are considered to be in the best interests of Shareholders in light of all the circumstances then prevailing. A press release will be issued providing details of the method or methods to be used by the Company to achieve an equality of number of Shares of all three classes and confirming the exact timing thereof.

Additional Extensions for Terms of Five Years

By approving the special resolution to extend the Termination Date of the Company to December 1, 2019, Shareholders will also be approving the extension of the Company for an additional term of five years as determined by the Board of Directors of the Company. The Termination Date may then be further extended for additional successive terms of five years each in the discretion of the Board of Directors. Shareholders will be able to redeem their Shares in connection with any such five year extension by exercising an additional retraction right (the **Continuing Special Retraction Right**) which is again designed to provide Shareholders with an opportunity to retract their Shares and receive a retraction price that is calculated in the same way that such price would be calculated if the Company were to terminate on its scheduled Termination Date.

A Shareholder who retracts a Capital Share under the Continuing Special Retraction Right will receive a retraction price per Share of nil if the net asset value per Unit calculated on November 30 of the year in which the Termination Date is extended is equal to or less than \$10.00, and otherwise an amount per Capital Share equal to the net asset value per Unit on such date less \$10.00. A Shareholder who retracts a Class I Preferred Share under the Continuing Special Retraction Right will receive a retraction price per Class I Preferred Share equal to the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 30 of such year. A Shareholder who retracts a Class II Preferred Share under the Continuing Special Retraction Right will receive a retraction price per Class II Preferred Share of nil if the net asset value per Unit calculated on November 30 of such year is equal to or less than \$5.00, and otherwise would be the lesser of (i) \$5.00 and (ii) the net asset value per Unit calculated on November 30 of such year less \$5.00. Shareholders wishing to take advantage of the Continuing Special Retraction Right must surrender their Shares for retraction no later than the close of business on November 1 of the year in which the Termination Date is extended (or, if such November 1 is not a business day, on the immediately preceding business day). Payment for the Shares so tendered for retraction pursuant to the Continuing Special Retraction Right will be made no later than December 15 of such year (or, if December 15 is not a business day, the immediately succeeding business day).

The Company will issue a press release at least 60 days prior to any scheduled Termination Date, indicating whether the term of the Company will be extended or not and, if it is to be extended, advising

Shareholders of their Continuing Special Retraction Right. The ability to extend the Termination Date as discussed above will save the Company all of the associated costs of holding a special Shareholders meeting while still retaining each Shareholders' right to retract their Shares on the same basis as if a Termination Date had occurred.

Implementing the Continuing Special Retraction Right

As noted above, Shares are issued on the basis that there will be an equal number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares outstanding. As a result of any exercise of a Continuing Special Retraction Right, the Company may need to take steps to equalize the number of Shares of each class outstanding, depending upon the number of Shares of each class that are retracted.

As noted above, the special resolution will permit the Articles to be amended to provide the Company with the Special Redemption Right as a means of ensuring that an equal number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares outstanding following the exercise of the 2014 Special Retraction Right. The Special Redemption Right will also apply in respect of any exercise of the Continuing Special Retraction right, on the same basis as described above. The special resolution would also authorize the filing of articles of amendment to effect a consolidation or subdivision of Class I Preferred Shares, Class II Preferred Shares or Capital Shares following any exercise of the Continuing Special Retraction Right, if necessary to equalize the number of Shares of each class outstanding thereafter.

II. Change in Dividend Entitlement for the Class I Preferred Shares

The special resolution would authorize the Board of Directors to amend the Articles to amend the dividend entitlement of the Class I Preferred Shares, effective for the December 2014 monthly dividend, to decrease the monthly dividend payable on the Class I Preferred Shares from \$0.03125 per Class I Preferred Share to \$0.025 per Class I Preferred Share.

This change is being made for the initial extension period in order to align the dividend rate on the Class I Preferred Shares to that of preferred shares with similar attributes.

III. Change in Dividend Entitlement for the Class II Preferred Shares

Under the Articles, the Company will pay, as and when declared by the Board of Directors, a fixed cumulative preferential monthly cash dividends of \$0.03125 per Preferred Share to holders of the Class II Preferred Shares, but is not permitted to declare or pay such dividends if at the relevant time the net asset value of the Company is not in excess of \$12.50. The Company is proposing to amend the Articles to permit the payment of dividends on the Class II Preferred Shares if the net asset value of the Company exceeds \$10.00, effective for the June 2014 monthly dividend.

This change is being made in conjunction with the change to the dividend rate on the Class I Preferred Shares in order to more closely align the overall dividends paid with the dividend income and other income received by the Company.

IV. Future Changes to the Dividend Entitlement for the Class I and Class II Preferred Shares

In the event the Board of Directors of the Company determine to extend the Company beyond December 1, 2019, the Company is proposing that it will have the right to determine the annual rate of cumulative preferential monthly dividends for the Class I Preferred Shares and Class II Preferred Shares for the five year renewal period commencing December 1, 2019, and in respect of any subsequent five

year renewal term. Such determination will be made no later than September 30 (or the first business day thereafter, if September 30 is not a business day) of the year in which the term of the Company is extended.

This change will provide the Board of Directors with the opportunity to make any appropriate changes to the amounts paid on the Class I Preferred Shares and the Class II Preferred Shares in the context of market conditions existing at the relevant time. As there would no longer be a fixed Termination Date for the Company, the Board of Directors believes it important to provide for additional flexibility in this regard.

V. Change to the Wording of the Company's Investment Objective

NI 81-102 requires Shareholder approval for any change to the fundamental investment objective for an investment fund such as the Company, and a similar requirement is contained in the Articles. As set forth above, the current investment objectives of the Company were drafted with reference to the notional issue price of the Shares. The Manager believes that the concept of the notional issue price of the Shares has little relevance to today's Shareholders, who are far more likely to have acquired their Shares through purchases made on the TSX, at prices quite different from the notional issue prices, than to have acquired such Shares in the 2010 Capital Reorganization, and this will become increasing so over time. In addition, the reference to a fixed termination date in 2014 in the current investment objectives will be obsolete if the extension of the Termination Date is approved.

Accordingly, Shareholders will be asked, as part of the extension of the term of the Company, to approve a change to the wording of the Company's investment objective as follows:

The Company's objective with respect to the Class I Preferred Shares is (a) to provide holders of the Class I Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.03125 per Class I Preferred Share (\$0.025 per Class I Preferred Share, effective with the December, 2014 monthly dividend) to yield 7.50% per annum on the Class I Preferred Share Repayment Amount of \$5.00 (6.00% per annum on the Class I Preferred Share Repayment Amount, effective with the December, 2014 monthly dividend); and (b) on such date as the Company may terminate (the "Termination Date"), to pay the holders of the Class I Preferred Shares \$5.00 per Class I Preferred Share (the "Class I Preferred Share Repayment Amount").

The Company's objective with respect to the Class II Preferred Shares is (a) to provide holders of the Class II Preferred Shares with fixed cumulative preferential monthly cash dividends in the amount of \$0.03125 per Class II Preferred Share to yield 7.50% per annum on the Class II Preferred Share Repayment Amount of \$5.00, if and when the net asset value per Unit exceeds \$10.00; and (b) on or about the Termination Date, to pay the holders of the Class II Preferred Shares \$5.00 per Class II Preferred Share (the "Class II Preferred Share Repayment Amount").

The Company's objective with respect to the Capital Shares is (a) to provide holders of Capital Shares with dividends in an amount to be set by the Board of Directors of the Company at its discretion, based on market conditions, if and when the net asset value per Unit exceeds \$15.00 and provided that no dividend payments will be made on the Capital Shares unless all dividends on the Class I Preferred Shares and, if applicable, the Class II Preferred Shares have been declared and paid; and (b) to permit holders of Capital Shares to participate in all growth in the net asset value of the Company above \$10.00 per Unit, by paying such holders, on or about the Termination Date, such amounts

as remain in the Company on the Termination Date after paying the holders of the Class I Preferred Shares the Class I Preferred Share Repayment Amount and paying the holders of the Class II Preferred Shares the Class II Preferred Share Repayment Amount.

The Company's current monthly distribution policy with respect to the Class A Shares would not change as a result of this change to the Company's investment objective, and these changes will have no impact on the management of the Company's assets.

VI. Change in Year-End Distribution Rules

Under the Articles, as noted above, the Company is prohibited from paying any dividends or other distributions to holders of the Capital Shares if the effect of paying such a dividend or other distribution would be that the net asset value per Unit would decline to less than \$15.00. Under the Tax Act, to the extent that the Company earns net income (other than taxable dividends from taxable Canadian corporations and taxable capital gains) such as interest, dividends from corporations other than taxable Canadian corporations or certain gains from the disposition of a security under a derivative forward agreement, the Company will be subject to income tax on such income and no refund will be available in respect thereof. To the extent that the Company earns net income that consists of taxable dividends from taxable Canadian corporations and taxable capital gains, the Company is effectively exempted from tax on such amounts (or entitled to refunds of taxes paid on such amounts) to the extent such amounts are paid to Shareholders.

The Company is proposing to amend the Articles so as to permit the Company to pay special year-end dividends on the Capital Shares even if, after payment of such a dividend, the net asset value per Unit would be less than \$15.00, where the purpose of such a special dividend in a year would be to reduce or eliminate the amount of net tax payable by the Company under the Tax Act for that year. Any dividends so declared would be payable in additional Capital Shares, and not in cash, and following the payment the Articles would be further amended to effect a Capital Share consolidation, so that after such payment, the Shareholder would hold the same number of Capital Shares as were held immediately prior to such payment. This Share consolidation would also restore the net asset value per Unit to the same amount as immediately before the year end distribution.

Special distributions received by a holder of Capital Shares would be taxable as either "capital gains dividends" or ordinary dividends even though such dividends are not paid in cash. Shareholders should refer to the Annual Information Form for the tax implications of receiving such dividends.

VII. WARRANT OFFERING

The net asset value of the Company is \$29.7 million as at March 31, 2014, and the Manager believes that it would be in the best interests of Shareholders for warrants to be issued with the goal of increasing the size of the Company. An increase in net assets could have the benefits of increasing the trading liquidity for the Shares on the TSX and lowering the management expense ratio of the Company.

Although not a requirement under the Articles or Canadian securities law, the Company is also seeking the authorization of Shareholders to the Company issue warrants to holders of the Capital Shares. One warrant would be issued for each Capital Share held, and four warrants would entitle the holder to receive one Class I Preferred Share, one Class II Preferred Share and one Capital Share at a subscription price of 102% of the net asset value at the date of issuance. The expiry date of the warrants would not be less than 90 days nor more than 180 days from the date of issuance. The issuance of warrants would be conditional upon the Independent Review Committee (IRC) established for the Company advising the

Manager that in the view of the IRC, the warrant offering achieved a fair and reasonable result for Shareholders; upon the approval of the TSX to the warrant offering and to the listing of the warrants, and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable upon the exercise of the warrants, on the TSX; and upon receipt of all other required regulatory approvals.

The value of a Unit will be reduced if the net asset value per Unit exceeds the exercise price of the warrants at the time of exercise and four or more warrants are exercised. If a holder of the Capital Shares receiving warrants does not exercise those warrants in such circumstances, such Shareholder's pro rata interest in the assets of the Company will be diluted. To maintain the Shareholder's pro rata interest in the assets of the Company, the Shareholder will be required to pay in connection with any exercise of four warrants an additional amount equal to the subscription price. While a Shareholder may sell the Shareholder's warrants, no assurance can be given that the proceeds of such sale will compensate the Shareholder for such dilution.

Holders of Class I Preferred Shares and Class II Preferred Shares will not receive any warrants under the proposed warrant offering. While the exercise of warrants should not dilute the interests of the holders of Class I Preferred Shares or the Class II Preferred Shares, based on current conditions, such exercise could reduce the then-current asset coverage ratio applicable to the Class I Preferred Shares and Class II Preferred Shares. In no circumstances, however, should such asset coverage ratio, even if so reduced, be less than the asset coverage ratio that will apply immediately following the closing of the warrant offering.

RECOMMENDATION OF THE BOARD OF DIRECTORS AND INDEPENDENT REVIEW COMMITTEE

The Board of Directors of the Company has unanimously approved each of the matters to be voted on at the Meeting.

On February 24, 2014, the IRC advised the Manager that it was of the view that the calling and holding of the Meeting for the purpose of having Shareholders consider the matters set forth in this Circular achieves a fair and reasonable result for Shareholders, based on the Manager's preliminary advice as to the matters to be voted on at the Meeting. On April 9, 2014, the IRC confirmed its recommendation in this regard, based on its review of the final form of this Circular.

INTEREST OF MANAGEMENT AND OTHERS IN THE PROPOSALS

The Manager receives the management and administration fees as more fully described in the Annual Information Form. If the special resolution approving the extension of the Termination Date of the Company is passed, the Manager will continue to receive these fees during each extension period.

VOTING SECURITIES AND PRINCIPAL HOLDERS

All of the issued and outstanding Class B Shares of the Company are owned by Commerce Split Corp. Holding Trust (the **Trust**), of which S. Wayne Finch is the trustee and the holders of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares from time to time are the beneficiaries. The Trust, as the sole holder of the Class B Shares, has approved matters to be voted on at the Meeting.

As of April 11, 2014, to the knowledge of the directors and officers of the Company, no person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting rights attached to the Class I Preferred Shares, Class II Preferred Shares or the Capital Shares of the Company.

VOTING ON THE PROPOSED CHANGES

Shareholders will therefore be asked at the Meeting to pass the special resolution substantially in the form attached hereto as Appendix "A" to approve the amendments to the Articles of the Company and other matters discussed in the Circular. The special resolution, to be effective, requires the approval of not less than two-thirds of the votes cast by Shareholders of each class present in person or by proxy at the Meeting.

The special resolution may, by its terms, not be proceeded with by the Board of Directors of the Company at any time prior to the filing of articles of amendment without further notice to, or action on the part of, Shareholders if the Board of Directors determines in its sole judgment that it would be inadvisable for the Company to proceed with the amendments to the Articles discussed in this Circular.

APPROVAL BY THE BOARD OF DIRECTORS

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

April 11, 2014.

A handwritten signature in black ink, appearing to read 'S. Finch', with a stylized flourish extending to the left.

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

**APPENDIX “A”
SPECIAL RESOLUTION OF COMMERCE SPLIT CORP.**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The articles of incorporation of Commerce Split Corp. (the “Company”), as amended (the “Articles”), be further amended to extend the term of the Company, as follows:
 - a. to extend the termination date of the Company from December 1, 2014 to, initially, December 1, 2019;
 - b. to provide holders of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares with the 2014 Special Retraction Right, as described in the Management Information Circular of the Company dated April 11, 2014 (the “Circular”);
 - c. to provide for the Special Redemption Right, as defined in the Circular;
 - d. to permit the filing of future articles of amendment to consolidate or subdivide the outstanding Class I Preferred Shares, Class II Preferred Shares and Capital Shares as necessary to equalize the number of such Shares of each class outstanding following any exercise of the 2014 Special Retraction Right;
 - e. to provide for the extension of the Company beyond December 1, 2019 for additional terms of five years each and provide for the Continuing Special Retraction Right, as defined in the Circular;
 - f. to provide for a special redemption of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares in connection with any implementation of the Continuing Special Retraction Right; and
 - g. to permit the filing of future articles of amendment to consolidate or subdivide the outstanding Class I Preferred Shares, Class II Preferred Shares and Capital Shares as necessary to equalize the number of such Shares of each class outstanding following any exercise of the Continuing Retraction Right;

all as more particularly described in the Circular.
2. The Articles be further amend, effective for the December 2014 monthly dividend, to decrease the monthly dividend payable on the Class I Preferred Shares to \$0.025 per Class I Preferred Share.
3. The Articles be further amended to amend the dividend entitlement of the Class II Preferred Shares, effective for the June 2014 monthly dividend, to provide that a dividend may be paid at the prescribed rate if the net asset value of the Company is greater than \$10.00.
4. The Articles be further amended to provide the Company with the right to establish the rate of cumulative preferential monthly dividends to be paid on the Class I Preferred Shares and on the Class II Preferred Shares for the five year renewal period commencing December 1, 2019, and in respect of any subsequent five year renewal term.

5. The wording of the Company's investment objective be changed, as more particularly set out in the Circular.
6. The Articles be further amended to permit the Company to pay special year-end dividends on the Capital Shares even if, after payment of such a dividend, the net asset value per Unit would be less than \$15.00, where the purpose of such a special dividend in a year would be to reduce or eliminate the amount of net tax payable by the Company under the *Income Tax Act* (Canada) for that year.
7. The Company be authorized to issue warrants to holders of the Capital Shares, on the terms set out in the Circular.
8. The Board of Directors and officers of the Company be and they are hereby authorized and directed to take such action and to execute and deliver all such documentation as may be necessary or desirable for the implementation of this special resolution.
9. Notwithstanding the provisions hereof, the Board of Directors of the Company may revoke this special resolution at any time prior to the endorsement by the Director of the Certificate of Amendment under the *Business Corporations Act* (Ontario) giving effect hereto without further approval of the shareholders of the Company.

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