

December 23, 2009

Dear Shareholders of Commerce Split Corp.:

You are invited to a special meeting of shareholders of Commerce Split Corp. (the **Fund**) to be held at 10:00 a.m. (Eastern Time) on Wednesday, February 3, 2010 at the offices of Blake, Cassels & Graydon LLP, 199 Bay Street, 23rd Floor, Commerce Court West, Toronto, Ontario.

The purpose of the meeting is to consider and vote upon a special resolution which essentially offers all Priority Equity shareholders and Class A shareholders an alternative investment option from their current holdings in the Fund. The special resolution, if passed, would provide shareholders with the ability to elect to 1) maintain the current investment characteristics of their existing shares (a status quo option), through the **Original Commerce Split Fund**, or 2) 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, especially if the common shares of CIBC increase over the remaining 5-year term of the Fund. In effect, if the resolution is passed this would allow for a reorganization of the share capital of the Fund that would create two distinct investment funds as briefly described below and more fully under “*Matters to be Voted on at the Meeting*” starting on page C-6 in the Management Information Circular which is enclosed with this letter (the **Circular**).

Current Company Status

Since the commencement of investment operations on February 16, 2007, the price of CIBC common shares declined from \$102.15 to a low of \$36.51 on March 6, 2009. As a result of this significant decline, the Fund was required under the prospectus to implement the Priority Equity Portfolio Protection Plan (as more fully described under “*Description of Commerce Split Corp. – Priority Equity Portfolio Protection Plan*” on page C-5 of the Circular). As at December 15, 2009, the majority of the common shares of CIBC previously held in the portfolio had been liquidated and the proceeds were then used to purchase fixed income securities with maturity dates in 2014 (the termination year of the Fund). The securities purchased were Canadian provincial government-backed strip coupons. These fixed income securities mature at a specified amount on maturity, but do not pay cash interest income during the term of the coupon. As at December 15, 2009, the Fund had 79.3% of its net assets in these fixed income securities (including cash) and the remaining 20.7% was in common shares of CIBC. The net asset value per Unit was \$9.34 as at December 15, 2009.

As a consequence of the current composition of the portfolio as mentioned above, the ability of the Fund to achieve the originally stated goals for each class of Shares has now been impaired. The original investment objectives developed for the Fund were based on the assumptions that dividends received would be from a fully invested position in CIBC common shares 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 Fund had to dramatically reduce its exposure to the common shares of CIBC. This “active” component of the portfolio is now only 20.7% of the net assets of the Fund compared to an almost 100% fully invested position at the inception of the Fund. As more fully explained in the Circular, the distribution objectives for both classes of shares have been impaired due to the severely reduced ability of the Fund to generate dividend and covered call writing income from CIBC common shares.

Therefore, in order to restore the ability of the Fund to achieve meaningful levels of future dividend payments and to potentially grow the net asset value per unit should the share price of CIBC’s common shares increase during the remaining term of the Fund, the Manager has presented to the Board of Directors of the Fund a proposed capital reorganization of the Fund which it believes offers potentially much greater Shareholder value for both classes of shares. This capital reorganization proposal is being brought before the Shareholders

at the meeting for their consideration and approval. The Manager and the Fund had called a similar meeting in February, 2009 to address these same issues. Although the special resolution did not achieve the necessary support due to a few shareholders with larger holdings that voted against the resolution, it did receive substantial support from Shareholders, as the Manager estimates that over 80% of the number of Class A shareholders voting and over 90% of the number of Priority Equity Shareholders voting supported the proposed capital reorganization. Given the broad support received at the previous meeting, the current outlook for the Company (as more fully described under “Current Outlook for the Company ” on page C-8 in the Circular) including the increased sensitivity on the Fund’s net asset value (as a result of holding the majority of the Company’s assets in fixed income securities) to any increase in interest rates from the current very low levels, Management believes that it is prudent to bring forward this capital reorganization proposal at this time.

The proposed reorganization, if passed, offers investors the following two choices:

1) Status Quo option– Elect to Maintain Current Investment Characteristics (Original Commerce Split Fund)

Priority Equity and Class A Shareholders may maintain the investment characteristics of their current holdings under the capital reorganization by electing to receive a new class of shares that will continue to have all of the same attributes as their existing Shares. There will be no changes to Shareholder rights under this new class of shares, except to the limited extent discussed in the Circular. As explained above, due to the significant market decline in the underlying CIBC common shares and the implementation of the Priority Equity Portfolio Protection Plan, the ability to achieve all of the original investment objectives has been significantly impaired, and accordingly Shareholders should not expect such objectives to be achieved in this new share class since the rights attached to those shares will be substantially the same as those attached to their existing shares.

The following factors should be taken into consideration for each class of investor in determining the suitability of remaining in a class of shares which replicates their current investment.

Priority Equity Shareholders

Distribution objectives: As discussed above, the ability to generate sufficient cash return on the portfolio from dividends and the covered call option program from the remaining active portfolio is considered to be inadequate to pay Priority Equity Share dividends. As such, dividend payments – which were suspended in February 2009 – are not expected to be paid in the foreseeable future.

Capital repayment objectives: As a result of the Priority Equity Portfolio Protection Plan, the majority of the portfolio has now been invested in fixed income securities in order to achieve the goal of returning \$10.00 for each Priority Equity Share outstanding on December 1, 2014. As at December 15, 2009, the estimated future value of the cash and fixed income securities was approximately \$9.00 per Priority Equity Share. As such, an amount of \$1.00 (from an existing \$1.93 per unit as at December 15, 2009) must remain in the active portfolio on the maturity date to achieve the \$10.00 repayment objective. This active portfolio will be required to pay any future dividends declared and fund the ongoing expenses of the Fund for the next five years until maturity. In addition, increasing retraction levels, changes in tax laws or potential taxation on interest income in future years, increased or new regulatory or other costs or expenses could adversely impact the ability of the Fund to achieve the repayment goal. There can be no assurances that current active portfolio will be sufficient to supplement the anticipated future value of the fixed income securities and achieve the \$10.00 repayment goal.

Class A Shareholders

Distribution objectives: Distributions on the Class A Shares were suspended in June, 2008, as a result of the net asset value per Unit of the Fund declining below \$12.50. The Fund has limited upside potential since the active portfolio has been reduced to \$1.93 per Unit and the fixed income portfolio has a known and limited upside. In addition, Class A Shares will continue to rank behind the cumulative and preferred dividend

payments owing to the holders of the Priority Equity Shares and the funding of the remaining operating expense payments for the remainder of the term. As such, there is extremely limited potential for the reinstatement of dividend payments for Class A Shareholders.

Capital repayment objectives: The original target of returning \$10.00 per Class A Share on maturity is no longer feasible given the decline in the value of the CIBC common shares and the activation of the Priority Equity Portfolio Protection Plan. Capital growth potential will be limited to the growth in the active portfolio, which at December 15, 2009 has been reduced to \$1.93 per Unit. However, as stated above, the active portfolio will be required to fund any dividend payments on the Priority Equity Shares and the ongoing expenses of the Fund.

2) New Commerce Split Fund

The objective of the New Commerce Split Fund class of shares is to allow holders of both the Priority Equity Shares and the Class A Shares with improved distribution and capital appreciation potential by re-establishing higher levels of exposure to the CIBC common shares than is the case with the current Fund. The higher levels of exposure would result from the liquidation of the fixed income securities on a pro rata basis (and the elimination of the requirement to maintain the Priority Equity Portfolio Protection Plan) and a reinvestment in common shares of CIBC. The increased exposure to such common shares would create higher dividend income (assuming no changes to current dividends paid on the CIBC common shares) and the potential for much higher levels of income through the covered call writing program. In addition, the increased exposure to such common shares would offer much greater capital growth potential for both classes of investors if CIBC common shares increase in value over the remaining life of the Fund.

In summary, holders of the existing Priority Equity Shares would receive the following securities for each Priority Equity share held:

One \$5 Class I Preferred share: paying fixed cumulative preferential monthly dividends to yield 7.5% per annum and having a repayment objective on the Termination Date of \$5;

One \$5 Class II Preferred share: paying distributions to yield 7.5 % per annum on the \$5 notional issue price if and when the net asset value per Unit of the New Commerce Split Fund exceeds \$12.50 and having a repayment objective on the Termination date of \$5.00

One-half of a 2011 Warrant: each full Warrant can be used to purchase one Unit (consisting of one Class I Preferred share, one Class II Preferred share and one Capital share) for an exercise price of \$10.00 at specified times until February 28, 2011

One full 2011 Warrant: each full Warrant can be used to purchase one Unit (consisting of one Class I Preferred share, one Class II Preferred share and one Capital share) for an exercise price of \$12.50 at specified times until February 28, 2012

Holders of the existing Class A Shares would receive a Capital share for each Class A share held:

One Capital Share: Capital shares would continue to participate in any net asset value growth over \$10.00 per Unit and dividends would only be reinstated if and when the net asset value per Unit exceeds \$15.00. The increased exposure to the CIBC common shares would offer much greater capital appreciation potential, especially if the value of such common shares were to increase over the remaining life of the Fund.

Therefore, the special meeting resolution if passed will effectively offer all shareholders a choice of the status quo or participating in a new Fund that potentially could offer increased distribution and capital growth potential. This election would be made available to all shareholders within a few weeks after the meeting date. The ability of the Fund to honour Election notices received will depend upon the Fund being able to meet the minimum listing requirements of the TSX, as well as the requirement that an equal number of Priority Equity shares and Class A shares be issued (as more fully described on C- 20 in the Circular).

If the reorganization is passed, the Manager will lower its annual management fee from 0.55% to 0.45% per annum of the net asset value for each Fund. In addition the discount to net asset value for the monthly redemption fee will be decreased from 4% to 3% on the New Commerce Split Fund and from 4% to 2% on the Original Commerce Split Fund and this reduced fee would be paid to the Manager and not retained by the Fund. These measures are intended to lower ongoing expenses of the Fund and improve trading prices relative to the net asset value for each Fund.

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

The Manager and the Board of Directors of the Fund have unanimously determined that the reorganization of the Fund as contemplated in the attached Circular is in the best interests of Shareholders. In addition, as required by the terms of National Instrument 81-107, the Manager referred the proposed reorganization of the Fund to the Independent Review Committee (IRC) for its recommendation. On December 16, 2009, the IRC advised the Manager that it had concluded that the calling of the Meeting to put before Shareholders the proposal to organize the Fund as contemplated in the Circular achieved a fair and reasonable result for the Fund and its Shareholders.

Accordingly, the Manager and the Board of Directors of the Fund each recommends that Shareholders vote FOR the special resolution.

If you are a Shareholder of the Fund, you are urged to vote on the special resolution by completing and returning the attached proxy to Computershare Investor Services using any of the methods described on the Proxy as soon as possible, but no later than February 1, 2010 at 10:30 a.m.

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
Quadravest Inc., in its role as Manager of
Commerce Split Corp.