

October 3, 2011



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

Dear Shareholder:

You are invited to a special meeting (the "meeting") of shareholders of Canadian Banc Recovery Corp. (the "Company") to be held at 10:00 am (Eastern standard time) on Thursday, November 3, 2011 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, 2012.

If the special resolution is approved, the termination date would initially be extended to December 1, 2018.

The reasons for the term extension proposal are as follows:

- **Shareholders will have the opportunity to continue to participate in a fund with attractive floating rate monthly distributions. The current yield of the Preferred shares is 4.95% based on the market price at September 26, 2011. Preferred shareholders have received 74 consecutive monthly dividends for a total of \$3.52 per Preferred share since inception in July 2005. The current yield of the Class A shares is 8.2% based on the market price at September 26, 2011. Class A shareholders have received a total of \$5.62 per Class A share since inception.**
- **Class A Shareholders could benefit from any market appreciation or dividend increases in the 6 Canadian chartered banks (held in the portfolio) over the extended time period.**
- **Preferred Shareholders and Class A Shareholders could receive increased distributions should the Canadian prime rate increase sufficiently over the extended term.**
- **Long term investors may benefit from an expanded time horizon.**
- **A longer investment horizon allows the Manager to remain focused on its investment strategy without prematurely beginning the process of winding down investments.**

The special resolution provides a "Special Retraction Right" as described in the Management Information Circular that provides shareholders with an opportunity, should they choose, 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 December 1, 2012 as originally contemplated. If the special resolution is approved, the Preferred Shares and the Class A 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 of the Company.

The special resolution also allows the Board of Directors to provide subsequent 5 year extension terms while continuing to provide all shareholders with the same retraction right entitlement at each extension date as they would have had if the term of the Company were not to be so extended. The resolution provides the Board with the ability to modify the dividend formula for ensuing extension terms beyond December 1, 2018 if necessary, to reflect market conditions existing at that time.

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 the Company has determined that the special resolution is in the best interests of the Company and its shareholders. Accordingly, the Board of Directors recommends that shareholders vote FOR the special resolution. The Independent Review Committee of the Company 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 Canadian Banc Recovery Corp., 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 November 1, 2011 at 10:00 am.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Finch", with a long horizontal stroke extending to the right.

Wayne Finch
President and Chief Executive Officer
Canadian Banc Recovery Corp.