

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of QuadraVest Capital Management Inc., the manager of the issuer, at 77 King Street West, Suite 4500, Toronto, Ontario, M5K 1K7 or info@quadravest.com or by calling 1-877-478-2372 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

Warrant Offering

August 7, 2014



New Commerce Split Fund

2,533,477 Warrants to Subscribe for up to 633,369 Units

(each Unit consisting of one Class I Preferred Share, one Class II Preferred Share and one Capital Share) at a Subscription Price of \$12.34

If a Shareholder sells or does not exercise Warrants, the value of the Shares held by that Shareholder may be diluted, and such Shareholder's pro rata interest in the assets of the Fund may be diluted, as a result of the exercise of Warrants by others. To maintain the Shareholder's pro rata interest in the assets of the Fund, the Shareholder will be required to pay in connection with the exercise of four Warrants an additional amount equal to the Subscription Price. See "Details of the Offering – Warrant Considerations" and "Risk Factors". There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See "Risk Factors – No Public Market for the Warrants".

New Commerce Split Fund (the **Fund**), an investment fund within Commerce Split Corp. (the **Company**), will issue to the holders of record of its outstanding Capital Shares at the close of business on August 25, 2014, an aggregate of 2,533,477 Warrants to subscribe for and purchase an aggregate of up to 633,369 Units. Four Warrants will entitle the holder to subscribe for one Unit upon payment of a subscription price of \$12.34 (the **Subscription Price**), which is equal to 102% of the net asset value per Unit (**NAV per Unit**) of the Company calculated on August 5, 2014. Each notional Unit consists of one Class I Preferred Share, one Class II Preferred Share and one Capital Share of the Company. This short form prospectus qualifies the distribution of the Warrants and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable upon the exercise thereof (the **Offering**). See "Details of the Offering".

Record Date: August 25, 2014 (the **Record Date**), subject to obtaining all necessary regulatory and exchange approvals.

Commencement Warrants may be exercised on any business day commencing on August 26, 2014.

Date:

Expiry Date and Time: Warrants not exercised by 5:00 p.m. (Toronto time) on November 25, 2014 (the **Expiry Date**) will be void and of no value.

Subscription Price: \$12.34.

Basic Subscription Privilege: Each holder (an **Eligible Shareholder**) of a Capital Share at the close of business on the Record Date will receive one transferable Warrant for each Capital Share held. Four Warrants will entitle the holder thereof (a **Warrantholder**) to acquire one Unit upon payment of the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date (the **Basic Subscription Privilege**). See “*Details of the Offering – Basic Subscription Privilege*”.

Additional Subscription Privilege: Warrantholders who exercise their Warrants in full under the Basic Subscription Privilege are entitled to purchase, on a pro rata basis, Units not issued pursuant to the exercise of the Basic Subscription Privilege by other Warrantholders, if any (the **Additional Subscription Privilege**). See “*Details of the Offering – Additional Subscription Privilege*”.

No Minimum Issue Size: The completion of the Offering is not conditional upon the receipt by the Company of any minimum amount of subscription proceeds.

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares are listed on the Toronto Stock Exchange (the **TSX**) under the symbols YCM.PR.A, YCM.PR.B and YCM, respectively. On August 6, 2014, the closing prices on the TSX of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares were \$5.20, \$5.15 and \$1.91, respectively. The Company has applied to list the Warrants distributed under this short form prospectus and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable upon the exercise thereof on the TSX. Listing will be subject to the Company fulfilling all of the requirements of the TSX. **There is currently no market through which the Warrants may be sold and purchasers may not be able to resell Warrants issued under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

	Subscription Price	Net Proceeds to the Company⁽¹⁾⁽²⁾
Per Unit	\$12.34	\$12.11
Total	\$7,817,040 ⁽¹⁾	\$7,672,035

(1) Assumes that all Warrants are exercised.

(2) After deducting the estimated expenses of the Offering of \$50,000, and the Warrant Exercise Fee (as defined below), which will be paid by the Company.

Subscriptions for Units made in connection with the Offering will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted. Warrant certificates will not be issued to Eligible Shareholders in connection with the Offering.

Commerce Split Corp. is a mutual fund corporation incorporated under the laws of the Province of Ontario by articles of incorporation dated November 27, 2006, as amended. Quadravest Capital Management Inc. (**Quadravest**) is the manager and investment manager for the Company. The principal office address of the Company and Quadravest is 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7. The Company invests in common shares of Canadian Imperial Bank of Commerce.

The independent review committee of the Company, each member of which is independent of the Company and Quadravest, is of the view that the Offering achieves a fair and reasonable result for Shareholders. At a special meeting of Shareholders held May 14, 2014, the Shareholders also approved the issuance of Warrants on substantially the terms set forth in this short form prospectus.

The Company utilizes the book-entry only system with respect to the Class I Preferred Shares, Class II Preferred Shares and Capital Shares and the book-based system with respect to the Warrants, both of which are administered by CDS Clearing and Depository Services Inc. (**CDS**). The Company may also utilize the non-certificated issue system or another system administered by CDS. A Warrantholder may subscribe for Units by instructing the participant in CDS (a **CDS Participant**) holding the subscriber's Warrants to exercise all or a specified number of such Warrants and concurrently forwarding the Subscription Price for each Unit subscribed for to such CDS Participant. See "*Details of the Offering – Basic Subscription Privilege*".

Warrantholders wishing to subscribe for additional Units (**Additional Units**) under the Additional Subscription Privilege must forward their request to their CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date, along with payment for the Additional Units requested. Any excess funds will be returned by mail or credited to the subscriber's account with its CDS Participant without interest or deduction. See "*Details of the Offering – Additional Subscription Privilege*".

Warrantholders that wish to acquire Units pursuant to the Offering must provide the CDS Participant holding their Warrants with instructions and the required payment sufficiently in advance of the Expiry Date to permit the proper exercise of their Warrants. CDS Participants will have an earlier deadline for receipt of instructions and payment.

Computershare Trust Company of Canada (the **Warrant Agent**) has been appointed the warrant agent of the Company to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. See "*Details of the Offering – Exercise of Warrants and Warrant Agent*".

No underwriter has been involved in the preparation of this short form prospectus or has performed any review of the contents of this short form prospectus.

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GLOSSARY

1933 Act:	the United States <i>Securities Act of 1933</i> , as amended from time to time.
Additional Subscription Privilege:	Warrantholders who exercise their Warrants in full under the Basic Subscription Privilege are entitled to purchase, on a pro rata basis, Units not issued pursuant to the exercise of the Basic Subscription Privilege by other Warrantholders, if any. See “ <i>Details of the Offering – Additional Subscription Privilege</i> ”.
AIF:	the current annual information form of the Company dated February 26, 2014.
Basic Subscription Privilege:	Each Eligible Shareholder at the close of business on the Record Date will be entitled to receive one Warrant for each Capital Share held. Four Warrants entitle the holder thereof to subscribe for one Unit at the Subscription Price prior to 5:00 p.m. (Toronto time) on the Expiry Date. See “ <i>Details of the Offering – Basic Subscription Privilege</i> ”.
business day:	any day on which the TSX is open for business.
Capital Share:	a transferable, redeemable Capital Share of the Company.
Class I Preferred Share:	a transferable, redeemable Class I Preferred Share of the Company.
Class II Preferred Share:	a transferable, redeemable Class II Preferred Share of the Company.
Class B Share:	a voting, transferable Class B Share of the Company.
Company:	Commerce Split Corp.
Eligible Shareholder:	each holder of a Capital Share at the close of business on the Record Date.
Expiry Date:	November 25, 2014. The Warrants will expire at 5:00 p.m. (local time in Toronto, Ontario) on the Expiry Date.
Fund:	New Commerce Split Fund, an investment fund within the Company.
NAV:	the net asset value (NAV) of the Fund which, on any date, will be equal to (a) the total value of the assets of the Fund, less (b) the aggregate amount of the liabilities of the Fund, excluding any liabilities represented by the Class I Preferred Shares and the Class II Preferred Shares.
NAV per Unit:	the NAV of the Fund at that time divided by the number of Units then outstanding. In certain circumstances, a diluted NAV per Unit will be calculated in addition to this basic NAV per Unit. See “ <i>Details of the Offering – Warrant Considerations</i> ”.
NI 81-102:	National Instrument 81-102 <i>Mutual Funds</i> (or any successor policy, rule or national instrument), as it may be amended from time to time.

Offering:	the offering of 2,533,477 Warrants and up to 633,369 Units issuable upon the exercise thereof, as contemplated in this short form prospectus.
Quadravest:	Quadravest Capital Management Inc., the manager and investment manager of the Company.
Record Date:	August 25, 2014.
Shareholder:	A holder of a Class I Preferred Share, Class II Preferred Share or Capital Share.
Subscription Price:	\$12.34, which is equal to 102% of the net asset value per Unit (NAV per Unit) of the Company calculated on August 5, 2014.
Tax Act:	the <i>Income Tax Act</i> (Canada) and the regulations thereunder, as the same may be amended from time to time.
TSX:	the Toronto Stock Exchange.
Unit:	a notional unit consisting of one Class I Preferred Share, one Class II Preferred Share and one Capital Share. 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 at all material times. The number of Units outstanding at any time is therefore equal to the sum of the number of Class I Preferred Shares, Class II Preferred Shares and Capital Shares then outstanding, divided by three.
United States:	the United States of America, its territories and possessions.
Warrant:	a transferable Warrant of the Company to be issued to Shareholders of record on the Record Date on the terms and conditions of the Warrant Indenture.
Warrant Agent:	Computershare Trust Company of Canada.
Warrant Indenture:	the agreement between the Company and the Warrant Agent relating to the Warrants.

FORWARD-LOOKING STATEMENTS

Certain statements in this short form prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Company, the Fund or Quadravest. Forward-looking statements are not historical facts but reflect the current expectations of the Company and Quadravest regarding future results or events. Such forward-looking statements reflect the Company’s and Quadravest’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations. Some of these risks, uncertainties and other factors are described in this AIF under “*Risk Factors*”. Although the forward-looking statements contained in this short form prospectus are based upon assumptions that the Company and Quadravest believe to be reasonable, neither the Company nor Quadravest can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared

for the purpose of providing investors with information about the Company and may not be appropriate for other purposes. Neither the Company nor Quadravest assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference and form an integral part of this short form prospectus:

- (a) the annual information form (the **AIF**) of the Company dated February 26, 2014 in respect of the fiscal year of the Company ended November 30, 2013;
- (b) the annual financial statements of the Company, together with the accompanying report of the auditor, for its fiscal year ended November 30, 2013;
- (c) the management report of fund performance in respect of the fiscal year of the Company ended November 30, 2013;
- (d) the unaudited interim financial statements of the Company for the six months ended May 31, 2014;
- (e) the interim management report of fund performance in respect of the six month period ended May 31, 2014;
- (f) the notice of special meeting of holders of Class I Preferred Shares, Class II Preferred Shares and Capital Shares and related management information circular (the **Circular**) dated April 11, 2014, in respect of the special meeting of shareholders held May 14, 2014 (the **2014 Special Meeting**); and
- (g) the material change report of the Company dated May 16, 2014 relating to the changes approved at the 2014 Special Meeting (the **2014 Special Meeting MCR**).

Any of the documents of the type referred to above including annual information forms, financial statements and related management reports of fund performance filed by the Company with a securities commission or similar authority in Canada after the date of this short form prospectus and prior to the termination of the distribution hereunder shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. Information on any of the websites maintained by the Company or Quadravest does not constitute a part of this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

THE FUND

Commerce Split Corp. (the **Company**) is a mutual fund corporation incorporated under the laws of Ontario by articles of incorporation dated November 27, 2006, as amended. Quadravest Capital Management Inc. (**Quadravest**) is the manager and investment manager for the Company. Quadravest is the manager and investment manager of 11 other public mutual fund corporations and one public mutual fund trust with total assets under management of approximately \$1.5 billion. The principal office address of the Company and Quadravest is at 77 King Street West, Suite 4500, Toronto, Ontario M5K 1K7, and its website address is www.quadravest.com.

New Commerce Split Fund (the **Fund**) is a separate investment fund within the Company, formed as a result of the capital reorganization of the Company which occurred in 2010. A second investment fund within the Company, known as the Original Commerce Split Fund, was wound up effective October 31, 2012. Accordingly, there is no longer any material distinction between the Company and the Fund.

The Company in respect of the Fund has issued Class I Preferred Shares, Class II Preferred Shares and Capital Shares (together, a notional **Unit**) on a basis which requires there to be an equal number of shares of each class (**Shares**) outstanding at all material times. Class I Preferred Shares, Class II Preferred Shares and Capital Shares are listed on the Toronto Stock Exchange (**TSX**) under the symbols YCM.PR.A, YCM.PR.B and YCM, respectively.

While the Company is considered to be a mutual fund corporation under Canadian securities legislation, the Company is not subject to all the same rules in such legislation as apply to conventional public mutual funds.

A special meeting of the holders of the Company's Class I Preferred Shares, Class II Preferred Shares and Capital Shares (**Shareholders**) was held on May 14, 2014 (the **2014 Special Meeting**). At the 2014 Special Meeting, a special resolution was passed to extend the mandatory termination date for the Company from December 1, 2014 to December 1, 2019 (the **Termination Date**) and provide the Board of Directors of the Company with the right to provide for further extensions of five years each thereafter. For further details regarding the 2014 Special Meeting and the matters approved thereat, see the management information circular (the **Circular**) dated April 11, 2014, in respect of the 2014 Special Meeting and the material change report of the Company dated May 16, 2014 relating to such matters (the **2014 Special Meeting MCR**), each incorporated by reference into this short form prospectus.

Summary Description of the Fund

The Fund was created to provide exposure to the common shares of Canadian Imperial Bank of Commerce (the **Bank**). To supplement the dividends earned on those common shares (the **Portfolio**) 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 Quadravest. 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 price of the common shares of the Bank that it holds.

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 until November 30, 2014 and thereafter in the amount of \$0.025 per Class I Preferred Share; 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 regular monthly 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 (**NAV**) 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. **There is no assurance that the Company will be able to achieve its investment objectives. See "Risk Factors" for a discussion of certain factors that should be considered by holders of Warrants (Warrantholders).**

RATIONALE FOR THE OFFERING

The exercise of Warrants by Warrantholders will provide the Company with additional capital that can be used to acquire additional common shares of the Bank for the Portfolio at prices Quadvest considers to be attractive and is also expected to increase the trading liquidity of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares and may also reduce the management expense ratio of the Company.

DETAILS OF THE OFFERING

The following is a summary only and is subject to, and is qualified in its entirety by reference to the detailed provisions of the warrant indenture (the **Warrant Indenture**) to be dated as of the Record Date (as defined below) between the Company and Computershare Trust Company of Canada (**Computershare**).

Warrants

Subject to the Company obtaining all necessary regulatory and exchange approvals, holders of Capital Shares (**Eligible Shareholders**) at the close of business on August 25, 2014 (the **Record Date**) will be issued an aggregate of 2,533,477 Warrants to subscribe for and purchase an aggregate of up to 633,369 Units. Each Shareholder will receive one transferable Warrant for each Capital Share held. Four Warrants will entitle a Warrantholder to acquire one Unit, upon payment of a subscription price of \$12.34 (the **Subscription Price**), which is equal to 102% of the net asset value per Unit (**NAV per Unit**) of the Company calculated on August 5, 2014, at any time prior to 5:00 p.m. (Toronto time) on November 25, 2014 (the **Expiry Date**).

Exercise of Warrants and Warrant Agent

Warrants may be exercised on any business day during the period (the **Exercise Period**) commencing at market open (Toronto time) on August 26, 2014 and ending at 5:00 p.m. (Toronto time) on the Expiry Date. **Warrants not exercised prior to 5:00 p.m. (Toronto time) on the Expiry Date will be void and of no value.** If an Eligible Shareholder does not exercise, or sells, the Warrants, then the value of the

Shareholder's investment in the Company may be diluted as a result of the exercise of Warrants by others. See "*Details of the Offering – Warrant Considerations*".

Computershare will be appointed the warrant agent of the Company (the **Warrant Agent**) to receive subscriptions and payments from Warrantholders, to act as registrar and transfer agent for the Warrants and to perform certain services relating to the exercise and transfer of Warrants. The Company will pay for the services of the Warrant Agent. Warrantholders desiring to exercise Warrants and purchase Units should ensure that subscriptions and payment in full of the Subscription Price are received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date.

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares purchased pursuant to the Warrants so exercised shall be deemed to have been issued and the person or persons in whose name or names such shares are to be registered shall be deemed to have become the holder or holders of record of such shares on the date on which such shares are entered into the register maintained by the Company's transfer agent for such shares. Units will only be issued pursuant to the Additional Subscription Privilege after all necessary calculations have been made following the Expiry Date as described under "*Details of the Offering – Additional Subscription Privilege*".

Basic Subscription Privilege

A Warrantholder may subscribe for the resulting whole number of Units or any lesser whole number of Units by instructing the participant (the **CDS Participant**) in CDS Clearing and Depository Services Inc. (**CDS**) holding the subscriber's Warrants to exercise all or a specified number of such Warrants and forwarding the Subscription Price for each Unit subscribed for in accordance with the terms of the Offering and the Warrant Indenture to the CDS Participant that holds the subscriber's Warrants (the **Basic Subscription Privilege**). The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of a CDS Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. All payments must be forwarded to the appropriate office of the CDS Participant. The entire Subscription Price for Units subscribed for must be paid at the time of subscription and must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date. **If mail is used for delivery of subscription funds, for the protection of the subscriber, "certified mail – return receipt requested" should be used and sufficient time should be allowed to avoid the risk of late delivery. A subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Warrants on such subscriber's behalf. Warrantholders are encouraged to contact their broker or other CDS Participants as each CDS Participant may have a different cut-off time.**

CDS Participants that hold Warrants for more than one beneficial holder may, upon providing evidence satisfactory to the Company and the Warrant Agent during the Exercise Period, exercise Warrants on behalf of their accounts on the same basis as if the beneficial owners of such Warrants were holders of record on the Record Date.

Notwithstanding anything to the contrary in this short form prospectus, the Warrants may be exercised only by a Warrantholder who represents at the time of exercise that the Warrantholder is not located in the United States, did not acquire the Warrants while in the United States, is not a U.S. person (as defined in Regulation S under the United States *Securities Act of 1933* (the **1933 Act**)) and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States. Payment of the Subscription Price will constitute a representation to the CDS Participant that the subscriber is not located in the United States, did not acquire Warrants while in the United States, is not a

U.S. person and is not exercising the Warrants for resale to or for the account or benefit of a U.S. person or a person in the United States.

Subscriptions for Units made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Units once submitted.

Warrantheolders who wish to exercise their Warrants and receive Class I Preferred Shares, Class II Preferred Shares and Capital Shares are reminded that because Warrants must be exercised through a CDS Participant, there may be a delay between the date of exercise of the Warrants and the date the issuance of such shares is recorded in the subscriber's account with its CDS Participant.

Additional Subscription Privilege

Each Warrantheolder that subscribes for all of the Units to which such holder is entitled pursuant to the Basic Subscription Privilege may, at any time during the Exercise Period, subscribe for additional Units (**Additional Units**) at a price equal to the Subscription Price for each Additional Unit (the **Additional Subscription Privilege**). Warrantheolders must exercise all of their Warrants under the Basic Subscription Privilege to be eligible for the Additional Subscription Privilege.

The aggregate number of Additional Units available under the Additional Subscription Privilege for all additional subscriptions will be the difference, if any, between the total number of Units issuable upon exercise of the Warrants and the total number of Units subscribed and paid for prior to 5:00 p.m. (Toronto time) on the Expiry Date. Subscriptions for Additional Units will be received subject to allotment only and the number of Additional Units, if any, which may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Units which that subscriber has subscribed for under the Additional Subscription Privilege, and (b) the product (disregarding fractions) obtained by multiplying the number of available Additional Units by a fraction, the numerator of which is the number of Warrants exercised by that subscriber under the Basic Subscription Privilege and the denominator of which is the aggregate number of Warrants exercised under the Basic Subscription Privilege by Warrantheolders that have subscribed for Additional Units pursuant to the Additional Subscription Privilege. If any Warrantheolder has subscribed for fewer Additional Units than such holder's pro rata allotment of Additional Units, the excess Additional Units will be allotted in a similar manner among the holders who were allotted fewer Additional Units than they subscribed for.

To apply for Additional Units under the Additional Subscription Privilege, a beneficial Warrantheolder must forward the holder's request to a CDS Participant prior to 5:00 p.m. (Toronto time) on the Expiry Date. Payment for Additional Units, in the same manner as for Units, must accompany the request when it is delivered to the CDS Participant. Any excess funds will be returned by mail or credited to a subscriber's account with its CDS Participant without interest or deduction. Payment in full of the Subscription Price must be received by the Warrant Agent prior to 5:00 p.m. (Toronto time) on the Expiry Date, failing which the subscriber's entitlement to such Units will terminate. Accordingly, the subscriber must deliver payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly apply for Additional Units under the Additional Subscription Privilege. Units issued pursuant to the Additional Subscription Privilege will only be issued after all necessary calculations have been made following the Expiry Date.

Sale or Transfer of Warrants

Warrantholders in Canada may, instead of exercising their Warrants to subscribe for Units, sell or transfer their Warrants. Holders of Warrants through CDS Participants who wish to sell or transfer their Warrants must do so in the same manner as they sell or transfer Capital Shares or Preferred Shares, namely, by providing instructions to the CDS Participant holding their Warrants in accordance with the policies and procedures of the CDS Participant. The Company has applied to list the Warrants on the TSX. Listing will be subject to the Company fulfilling all the listing requirements of the TSX.

Warrant Considerations

The value of a Unit will be reduced if the NAV per Unit exceeds an amount equal to the Subscription Price payable on the exercise of a Warrant less the Warrant Exercise Fee (as defined below) and four or more Warrants are exercised (the **Dilution Threshold**). If the NAV per Unit exceeds the Dilution Threshold, then an Eligible Shareholder will face dilution of its investment in the Company to the extent Warrantholders exercise their Warrants and acquire Units. If an Eligible Shareholder does not exercise Warrants in such circumstances, such Shareholder's pro rata interest in the assets of the Company will be diluted.

As the number of Units issuable on the exercise of the Warrants equals one-quarter the number of the currently outstanding Units, the potential dilution per Unit is up to one-fifth of all gains in the NAV per Unit in excess of the Dilution Threshold. The potential dilution per Unit, assuming the Warrants are exercised in full, is illustrated in the following table:

Non-diluted NAV of the Company before the Exercise of Warrants.....	\$12.10	\$12.40	\$12.70	\$13.00
Pro Forma Dilution per Unit.....	Nil	\$0.06	\$0.12	\$0.18

Due to the dilutive effect on the value of the Units when Warrants are exercised, Eligible Shareholders should carefully consider the exercise of the Warrants or the sale of the Warrants prior to the Expiry Time. The failure to take either such action in the circumstances described above will result in the loss of value to the investor. To maintain the Eligible Shareholder's pro rata interest in the assets of the Company, the Shareholder will be required to pay in connection with the exercise of a Warrant an additional amount equal to the Subscription Price. While an Eligible 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. The factors that would be expected to influence the price of a Warrant include the difference between the Subscription Price and the NAV per Unit calculated on a diluted basis, price volatility, distributions payable on the Shares and the remaining time to expiry of the Warrant.

Holders of Class I Preferred Shares and Class II Preferred Shares will not receive any Warrants under the Offering. While the exercise of Warrants should not dilute the interests of the holders of Class I Preferred Shares and Class II Preferred Shares, 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 Offering.

Anti-dilution Provisions

The Warrant Indenture contains anti-dilution provisions such that the subscription rights in effect under the Warrants for Units issuable upon the exercise of the Warrants will be subject to adjustment from time

to time if, prior to the expiry time (5:00 p.m. local time in Toronto, Ontario) on the Expiry Date, the Company:

- (a) subdivides, re-divides or changes its outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares into a greater number of shares;
- (b) reduces, combines or consolidates its outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares into a smaller number of shares;
- (c) distributes to holders of all or substantially all of the outstanding Class I Preferred Shares, Class II Preferred Shares or Capital Shares any securities of the Company including rights, options or warrants to acquire Class I Preferred Shares, Class II Preferred Shares or Capital Shares or securities convertible into or exchangeable for Class I Preferred Shares, Class II Preferred Shares or Capital Shares or property or assets, including evidence of indebtedness (other than in connection with the distribution and exercise of the Warrants);
- (d) reclassifies the Class I Preferred Shares, Class II Preferred Shares or Capital Shares or otherwise reorganizes the capital of the Company; or
- (e) consolidates, amalgamates or merges the Company with or into any other investment fund or other entity, or sells or conveys the property and assets of the Company as an entirety or substantially as an entirety (other than in connection with the retraction or redemption of Class I Preferred Shares, Class II Preferred Shares or Capital Shares).

Delivery, Form and Denomination of Warrants

The Warrants will be evidenced by a warrant certificate registered in the name of CDS or its nominee pursuant to CDS' book-based system on a non-certificated inventory (NCI) basis. Shareholders hold their Class II Preferred Shares or Capital Shares through a CDS Participant and will not receive physical certificates evidencing their ownership of Warrants. On the Record Date, a certificate representing the Warrants will be issued in registered form to CDS or its nominee.

All Warrantholders hold their Warrants through a CDS Participant, except where the issuance of physical certificates evidencing ownership in such securities is necessary to facilitate Warrant exercises. The Company expects that each Shareholder will receive a confirmation of the number of Warrants issued to it under the Offering from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining book-based accounts for its participants holding Warrants.

None of the Company, QuadraVest or the Warrant Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Warrants or the book-based accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Warrants; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or its participants.

The ability of a person having an interest in Warrants held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate. Warrantholders must arrange purchases and transfers of, and for the issuance of Warrant certificates for the purpose of exercises of, Warrants through CDS Participants.

FEES AND EXPENSES

Expenses of the Offering

The expenses of the Offering (including the costs of preparing and printing this short form prospectus, legal expenses, expenses of the auditor and translation fees), which are estimated to be \$50,000 in the aggregate, will be paid by the Company, together with the Warrant Exercise Fee.

Warrant Exercise Fee

Within 30 days of the proper exercise of a Warrant, the Company will pay a fee (the **Warrant Exercise Fee**) of \$0.15 per Unit to the dealer whose client exercised the Warrant.

Fees Payable to Quadravest

Administration Fee

Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the Company's NAV calculated as at the last day (a **Valuation Date**) in each month, plus an amount equal to the service fee (the **Service Fee**) payable to dealers described below. The Company will also pay any goods and services taxes or harmonized sales taxes applicable to this administration fee.

Service Fee

Quadravest will pay the Service Fee to each dealer whose clients hold Capital Shares. The Service Fee will be calculated and paid at the end of each calendar quarter and is equal to 0.50% annually of the value of the Capital Shares held by clients of the dealer. For these purposes, the value of a Capital Share at any time is the NAV per Unit at such time less \$10.00. No Service Fee will be paid in any calendar quarter if dividends are not paid to holders of Capital Shares in respect of each month of such calendar quarter.

Management Fees

Quadravest is also entitled to a management fee payable monthly in arrears at an annual rate equal to 0.45% of the Company's NAV calculated as at the last Valuation Date in each month. The Company will pay any goods and services taxes or harmonized sales taxes applicable to this management fee. Quadravest is also entitled to receive from the Company an amount equal to the discount to net asset value not paid to shareholders for any monthly retractions of Class I Preferred Shares, Class II Preferred Shares or Capital Shares as an additional fee.

Ongoing Expenses

The Company pays for all fees and expenses incurred in connection with its operation and administration, including the costs of preparing financial statements and financial and accounting information as required by the Company; ensuring that shareholders are provided with such financial statements (including semi-annual and annual financial statements) they have requested and such other reports as are from time to time required by applicable law; ensuring that the Company complies with regulatory requirements and applicable stock exchange listing requirements; preparing the Company's reports to shareholders and the Canadian securities regulatory authorities; and the costs of third-party providers of services, including the registrar and transfer agent, the Warrant Agent, the auditor and printers.

DESCRIPTION OF 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. A trust established for the benefit of holders of Class I Preferred Shares, Class II Preferred Shares and Capital Shares owns all 1,000 outstanding Class B Shares (the **Trust**). As at August 5, 2014 there were 2,533,477 Class I Preferred Shares, 2,533,477 Class II Preferred Shares and 2,533,477 Capital Shares outstanding. The following is a summary of certain provisions of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares which are more fully described in the AIF, as modified by the 2014 Special Meeting MCR.

Distributions and Dividends

Currently, holders of the Class I Preferred Shares are entitled to fixed, cumulative, preferential monthly dividends in an amount of \$0.03125 per Class I Preferred Share per month. As approved by Shareholders at the 2014 Special Meeting, effective with the December 2014 monthly dividend, dividends will be in an amount of \$0.025 per Class I Preferred Share per month. If the Termination Date is extended for a further five years beyond December 1, 2019, the Company will determine the rate of cumulative preferential monthly dividends to be paid on the Class I Preferred Shares for each year in such five year extension period.

Currently, holders of Class II Preferred Shares are entitled to fixed, cumulative, preferential monthly dividends in an amount of \$.03125 per Class II Preferred Share per month, provided that no such dividends may be paid in a month unless the NAV per Unit exceeds \$12.50. As approved by the Shareholders at the 2014 Special Meeting, effective for the June 2014 dividend, such dividends may be paid if the NAV per Unit exceeds \$10.00. As with the Class I Preferred Shares, if the Termination Date is extended for a further five years beyond December 1, 2019, the Company will determine the rate of cumulative preferential monthly dividends to be paid on the Class II Preferred Shares for each year in such five year extension period.

Holders of the Capital Shares are entitled to 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 NAV per Unit exceeds \$15.00 and provided that no regular monthly 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. As approved by the Shareholders at the 2014 Special Meeting, the Company may pay a special year-end dividend on the Capital Shares, even if after such payment the NAV 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 of incorporation of the Company would be further amended to effect a Capital Share consolidation, so that after such payment, a the holder of Capital Shares would hold the same number of Capital Shares as were held immediately prior to such payment. This Capital Share consolidation would also restore the NAV per Unit to the same amount as immediately before the year end distribution.

Retractions and Redemptions

In addition to the monthly and annual retraction rights that Shareholders have, and the redemption rights that the Company has, as described in the AIF, as a result of the extension of the Termination Date approved at the 2014 Special Meeting, Shareholders have a special retraction right (the **2014 Special Retraction Right**) which is designed to provide Shareholders with an opportunity to retract their Shares in November 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.

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.

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 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 under the 2014 Special Retraction Right. Accordingly, the Company has 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 following any exercise of the 2014 Special Retraction Right. 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 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.

CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited capitalization of the Company before and after giving effect to the Offering:

	<u>Authorized</u>	<u>Outstanding as at November 30, 2013</u>	<u>Outstanding as at August 7, 2014</u>	<u>Outstanding as at August 7, 2014 after giving effect to the Offering⁽¹⁾</u>
Class I Preferred Shares.....	Unlimited	\$12,777,885 (2,555,577 shares)	\$12,667,385 (2,533,477 shares)	\$15,834,230 (3,166,846 shares)
Class II Preferred Shares.....	Unlimited	\$12,777,885 (2,555,577 shares)	\$12,667,385 (2,533,477 shares)	\$15,834,230 (3,166,846 shares)
		— ⁽²⁾	— ⁽²⁾	\$1,337,078
Capital Shares	Unlimited	(2,555,577 shares)	(2,533,477 shares)	(3,166,846 shares)
Class B Shares.....	1,000	<u>\$1,000</u>	<u>\$1,000</u>	<u>\$1,000</u>
Total Capitalization....		\$25,556,770	\$25,335,770	\$33,006,538

(1) After deducting all applicable Warrant Exercise Fees and the expenses of the Offering estimated to be \$50,000, and assuming the exercise of all Warrants issued hereunder.

(2) Includes paid-up capital for the Capital Shares only and excludes retained earnings.

NET ASSET VALUE, TRADING PRICE AND VOLUME

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares are listed on the TSX under the symbols YCM.PR.A, YCM.PR.B and YCM, respectively. On August 6, 2014 the closing prices on the TSX of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares were \$5.20, \$5.15 and \$1.91, respectively.

The following table sets forth the NAV per Unit and the market price range and trading volume of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares on the TSX for the twelve-month period prior to the date of this short form prospectus.

Period	NAV per Unit ⁽¹⁾	Capital Shares			Class I Preferred Shares			Class II Preferred Shares		
		High	Low	Volume	High	Low	Volume	High	Low	Volume
August 2013	\$10.44	\$0.60	\$0.50	26,919	\$5.25	\$5.16	120,329	\$4.30	\$4.06	12,059
September 2013	\$10.48	\$0.75	\$0.51	229,147	\$5.27	\$5.17	64,680	\$4.39	\$4.20	170,571
October 2013	\$11.06	\$0.95	\$0.60	25,661	\$5.27	\$5.10	158,882	\$4.36	\$4.11	41,715
November 2013	\$11.25	\$1.05	\$0.85	48,104	\$5.25	\$5.12	52,198	\$4.51	\$4.38	7,713
December 2013	\$11.29	\$1.08	\$0.77	132,117	\$5.32	\$5.11	72,885	\$4.55	\$4.48	33,175

January 2014	\$10.79	\$0.98	\$0.75	5,687	\$5.40	\$5.16	103,736	\$4.70	\$4.48	53,436
February 2014	\$11.40	\$1.05	\$0.70	80,236	\$5.23	\$5.15	32,725	\$4.66	\$4.55	29,527
March 2014	\$11.73	\$1.58	\$1.04	132,217	\$5.31	\$5.16	39,021	\$4.92	\$4.68	214,200
April 2014	\$11.93	\$1.70	\$1.46	47,463	\$5.34	\$5.17	34,251	\$4.95	\$4.85	287,550
May 2014	\$11.63	\$1.85	\$1.61	432,442	\$5.21	\$5.11	146,909	\$5.10	\$4.93	209,798
June 2014	\$11.85	\$1.80	\$1.63	16,331	\$5.21	\$5.10	138,391	\$5.11	\$5.04	27,824
July 2014	\$12.25	\$2.01	\$1.70	80,045	\$5.27	\$5.20	17,571	\$5.20	\$5.09	23,050
August 2014 (to August 6)	N/A	\$2.01	\$1.91	273	\$5.20	\$5.20	2,500	\$5.15	\$5.15	300

(1) Calculated as at the last Valuation Date in the applicable month.

USE OF PROCEEDS

The net proceeds from the exercise of the Warrants offered hereby are estimated to be \$7,672,035 (assuming that all Warrants are exercised and after payment of the fees and expenses of the Offering including all applicable Warrant Exercise Fees). Such net proceeds will be invested by the Company in accordance with its investment objectives, strategy and restrictions. For further information on the anticipated use of proceeds, see “*The Company – Summary Description of the Company*” and “*Rationale for the Offering*”.

PLAN OF DISTRIBUTION

The Warrants and Units issuable upon the exercise thereof are being distributed in reliance on an exemption from the applicable dealer registration requirements. The Company will deliver a copy of the final short form prospectus, in accordance with applicable securities laws, to Shareholders of record on the Record Date. The Company has applied to list the Warrants distributed under this short form prospectus and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable upon the exercise thereof on the TSX. Listing will be subject to the Company’s fulfilling all the listing requirements of the TSX.

Shareholders Outside of Canada

Each Shareholder whose recorded address is outside Canada will be advised by letter that the Shareholder’s Warrants will be held by the Shareholder’s CDS Participant for the account of such Shareholder, as set out below.

The Class I Preferred Shares, Class II Preferred Shares and Capital Shares are not registered under the 1933 Act. The Offering is made in Canada and not outside of Canada. The Offering is not, and under no circumstances is to be construed as, an offering of any Class I Preferred Shares, Class II Preferred Shares and Capital Shares for sale in the United States or an offering to or for the account or benefit of any U.S. person or a solicitation therein of any offer of shares. Accordingly, neither a subscription for Units pursuant to the Basic Subscription Privilege nor an application for Additional Units pursuant to the

Additional Subscription Privilege will be accepted from any person, or his agent, who appears to be, or who the Company has reason to believe is, a national or resident of the United States.

Each CDS Participant for an Eligible Shareholder resident outside of Canada will, prior to the Expiry Date, attempt to sell the Warrants allotable to such Shareholder at the price or prices it determines in its discretion. Neither the Company nor any CDS Participant will be subject to any liability for the failure to sell any Warrants for such a Shareholder or as a result of the sale of any Warrants at a particular price on a particular day. Any proceeds received by the CDS Participant with respect to the sale of Warrants, net of brokerage fees and costs incurred and, if applicable, of Canadian tax required to be withheld, will be delivered by mailing cheques (in Canadian funds and without payment of any interest) as soon as practicable to such Shareholder whose Warrants were sold, at the Shareholder's last recorded address. Amounts of less than \$1.00 will not be forwarded. There is a risk that the proceeds received from the sale of Warrants will not exceed the brokerage fees and costs of or incurred by the CDS Participant in connection with the sale of such Warrants and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.

Warrantholders who are Shareholders resident outside of Canada are cautioned that the acquisition and disposition of Warrants, Class I Preferred Shares, Class II Preferred Shares and Capital Shares may have tax consequences in the jurisdiction where they reside and in Canada which are not described herein.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As the manager and the investment manager, Quadravest receives the fees described under "*Fees and Expenses*" for its services to the Company and will be reimbursed by the Company for all expenses incurred in connection with their roles in the operation and administration of the Company.

RISK FACTORS

Certain risk factors relating to the Company and the Warrants are described below. In addition to the risks described in this short form prospectus, the AIF contains a detailed discussion of risks and other considerations relating to an investment in Class I Preferred Shares, Class II Preferred Shares and Capital Shares of the Company, of which investors should be aware.

Additional risks and uncertainties not currently known to Quadravest, or that are currently considered immaterial, may also impair the operations of the Company. If any such risk actually occurs, the business, financial condition, liquidity or results of the operations of the Company and the ability of the Company to make distributions on the Class I Preferred Shares, Class II Preferred Shares and Capital Shares could be materially adversely affected.

Dilution to Existing Shareholders

The value of a Unit will be reduced if the NAV per Unit exceeds the Dilution Threshold and four or more Warrants are exercised. If an Eligible Shareholder does not exercise 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 the exercise of a Warrant 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.

No Public Market for Warrants

The Company has applied to list the Warrants distributed under this short form prospectus on the TSX. Listing will be subject to the Company's fulfilling all the listing requirements of the TSX. There is currently no public market for the Warrants and there can be no assurance that an active public market will develop or be sustained after completion of the Offering.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, the following is a summary of the principal Canadian federal income tax considerations arising for certain Eligible Shareholders in respect of the receipt, exercise and disposition of Warrants issued under the Offering. This summary is only applicable to Eligible Shareholders who, for the purposes of the Tax Act, are resident in Canada, deal at arm's length with the Company and are not affiliated with the Company, and will hold the Warrants and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issued pursuant to the exercise of the Warrants, as capital property. Warrants, Capital Shares, Class I Preferred Shares and Class II Preferred Shares will generally be considered to be capital property to an Eligible Shareholder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. An Eligible Shareholder whose Capital Shares, Class I Preferred Shares and Class II Preferred Shares might not otherwise qualify as capital property may be entitled to make the irrevocable election provided by subsection 39(4) of the Tax Act to have the Capital Shares, Class I Preferred Shares and Class II Preferred Shares and every other "Canadian security" (as defined in the Tax Act) owned by such Eligible Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Such an election would not apply in respect of the Warrants. Eligible Shareholders should consult their own tax advisors for advice as to whether an election under subsection 39(4) of the Tax Act is available and/or advisable in their particular circumstances. This summary is based on the facts set out in this short form prospectus and the AIF, the current provisions of the Tax Act and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the **CRA**) made publicly available in writing prior to the date hereof.

This summary also takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **Proposed Amendments**), and assumes that the Proposed Amendments will be enacted as proposed. No assurances can be given that the Proposed Amendments will become law.

This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, provincial or territorial income tax considerations, which may differ from the federal considerations. This summary does not address the deductibility of interest on any funds borrowed by an investor to exercise Warrants and thereby purchase Class I Preferred Shares, Class II Preferred Shares or Capital Shares. Eligible Shareholders should consult the AIF for a summary of the principal Canadian federal income tax considerations relating to the Capital Shares, Class I Preferred Shares and Class II Preferred Shares.

This summary does not apply to an Eligible Shareholder (i) that is a "financial institution" as defined in section 142.2 of the Tax Act, (ii) an interest in which is a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act, (iii) which makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act or (iv) which enters into a "derivative

forward agreement” (a “DFA”), as such term is defined in the Tax Act, with respect to the purchase or sale of Warrants or Class I Preferred Shares, Class II Preferred Shares or Capital Shares.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Eligible Shareholders are advised to consult their own tax advisors with respect to their individual circumstances.

Receipt of Warrants

No amount will be required to be included in computing the income of an Eligible Shareholder as a consequence of acquiring Warrants under the Offering. The cost of a Warrant received under the Offering will be nil. The cost of a Warrant acquired by an Eligible Shareholder will be averaged with the adjusted cost base to the Eligible Shareholder of any other Warrants held at that time as capital property to determine the adjusted cost base of each such Warrant to the Eligible Shareholder.

Exercise of Warrants

The exercise of Warrants will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized upon the exercise of Warrants. A Class I Preferred Share, Class II Preferred Share and Capital Share acquired by a Shareholder upon the exercise of a Warrant will each have a cost to the Warrantholder equal to the aggregate of the portion of the Subscription Price allocated to such Class I Preferred Share, Class II Preferred Share or Capital Share, as the case may be, and the portion of the adjusted cost base, if any, to the Eligible Shareholder of such Warrant that has been allocated to the Class I Preferred Share, Class II Preferred Share or Capital Share, as the case may be. Such allocation of cost must be made on a reasonable basis. For its purposes, the Company intends to issue each Class I Preferred Share for \$5.00, each Class II Preferred Share for \$5.00 and each Capital Share for \$2.19. Although the Company believes that such allocation of the aggregate Subscription Price per Unit among its three classes of Shares is reasonable, such allocation is not binding on the CRA. The cost of a Class I Preferred Share, Class II Preferred Share or Capital Share acquired by an Eligible Shareholder upon the exercise of Warrants will be averaged with the adjusted cost base to the Eligible Shareholder of all other Class I Preferred Shares, Class II Preferred Shares or Capital Shares, as the case may be, held at that time as capital property to determine the adjusted cost base of each such Class I Preferred Share, Class II Preferred Share or Capital Share to the Eligible Shareholder.

Disposition and Expiry of Warrants

Upon the disposition of a Warrant by a Warrantholder, other than pursuant to the exercise thereof, the Warrantholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of reasonable costs of the disposition, exceed (or are less than) the adjusted cost base, if any, of the Warrant to the Warrantholder. Upon the expiry of an unexercised Warrant on the Expiry Date, a Warrantholder will realize a capital loss equal to the adjusted cost base, if any, of the Warrant to the Warrantholder.

One half of a capital gain (a “taxable capital gain”) will be included in the Warrantholder’s income, and one half of a capital loss may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act in that regard. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act. Capital gains realized by a Warrantholder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

Computershare Investor Services Inc. provides the Company with registrar, transfer and distribution agency services in respect of the Class I Preferred Shares, Class II Preferred Shares and Capital Shares from its principal offices in Toronto, Ontario. Under the Warrant Indenture, the warrant agent and the registrar and transfer agent for the Warrants is Computershare at its principal office in Toronto, Ontario.

ELIGIBILITY FOR INVESTMENT

Provided that the Warrants and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issued on the exercise of the Warrants are listed on a designated stock exchange for purposes of the Tax Act (which currently includes the TSX) the Warrants, and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable on exercise of the Warrants, if issued on the date hereof, would each be, on such date, qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (**RRSP**), registered retirement income fund (**RRIF**), registered disability savings plan, deferred profit sharing plan or tax free savings account (**TFSA**). Shareholders and Warrantholders should consult their own tax advisors as to the effect of acquiring Warrants, Class I Preferred Shares, Class II Preferred Shares and Capital Shares in a registered education savings plan.

Notwithstanding the foregoing, if the Warrants or the Capital Shares, Class I Preferred Shares or Class II Preferred Shares are a “prohibited investment” for the purposes of a TFSA, a RRSP or a RRIF, the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Warrants, Capital Shares, Class I Preferred Shares and the Class II Preferred Shares will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant thereof, as the case may be, (i) deals at arm’s length with the Company, for purposes of the Tax Act, and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, Capital Shares, Class I Preferred Shares or Class II Preferred Shares will not be a “prohibited investment” if such shares are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP or RRIF. Prospective purchasers who intend to hold Warrants, Capital Shares, Class I Preferred Shares or Class II Preferred Shares in a TFSA, RRSP or RRIF are advised to consult their own tax advisors.

AUDITOR

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, Toronto, Ontario.

INDEPENDENT REVIEW COMMITTEE AND SHAREHOLDER APPROVAL

The Independent Review Committee of the Company, each member of which is independent of the Company and Quadinvest, is of the view that the making of the Offering achieves a fair and reasonable result for Shareholders. At a special meeting of Shareholders held May 14, 2014, the Shareholders also approved the issuance of Warrants on substantially the terms set forth in this short form prospectus.

INTERESTS OF EXPERTS

The matters referred to under “*Canadian Federal Income Tax Considerations*” and certain other legal matters relating to the Offering and the Warrants and the Class I Preferred Shares, Class II Preferred Shares and Capital Shares issuable upon the exercise of the Warrants to be distributed pursuant to this short form prospectus will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group,

beneficially owned, directly or indirectly, less than one percent of the outstanding Shares of any class of the Company.

The Company's auditor is PricewaterhouseCoopers LLP, who has prepared an independent auditor's report dated February 26, 2014 in respect of the Company's financial statements as at November 30, 2013 and 2012. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

Pursuant to the terms of the Warrant Indenture, the Company has granted to each Warrantholder who elects to purchase Units pursuant to the Basic Subscription Privilege a contractual right of rescission. Pursuant to such right, a Warrantholder that elects to exercise Warrants pursuant to the Basic Subscription Privilege may rescind such exercise by delivering a notice of rescission (in the form attached to the Warrant Indenture) to the Warrant Agent not later than midnight (Toronto time) on the second Business Day after a valid subscription is received by the Warrant Agent (being the date on which both the instruction to exercise the Warrants and payment in full of the Subscription Price therefor is received by the Warrant Agent). Each Warrantholder validly electing to rescind an exercise of Warrants will receive a full refund of the Subscription Price paid in connection with such exercise and will not receive any Units. Any Warrants so rescinded will be cancelled. This contractual right of rescission granted to such Warrantholder is in addition to any other right or remedy available to a Warrantholder at law.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF THE COMPANY AND THE MANAGER

Dated: August 7, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador.

COMMERCE SPLIT CORP.

(Signed) S. WAYNE FINCH
President and Chief Executive
Officer

**(Signed) PETER F.
CRUICKSHANK**
Chief Financial Officer

On behalf of the Board of Directors

**(Signed) LAURA L.
JOHNSON**
Director

**(Signed) WILLIAM C.
THORNHILL**
Director

**QUADRAVEST CAPITAL
MANAGEMENT INC.**
(as manager of Commerce Split Corp.)

(Signed) S. WAYNE FINCH
President and Chief Executive Officer

(Signed) PETER F. CRUICKSHANK
Chief Financial Officer

On behalf of the Board of Directors of Quadravest Capital Management Inc.

(Signed) S. WAYNE FINCH
Director

(Signed) PETER F. CRUICKSHANK
Director

(Signed) LAURA L. JOHNSON
Director