

2008 **COMMERCE SPLIT CORP.**
ANNUAL REPORT

COMMERCE *Split*

This report may contain forward-looking statements about the Company. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Company action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

COMMERCE SPLIT CORP.
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
NOVEMBER 30, 2008

This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2008. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.commercesplit.com or by writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at www.commercesplit.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

Commerce Split Corp. invests primarily in common shares of the Canadian Imperial Bank of Commerce ("CIBC").

The Company offers two types of shares:

Priority Equity Shares

The investment objectives with respect to the Priority Equity shares are as follows:

1. To provide holders of Priority Equity shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the original issue price and
2. On or about December 1, 2014 (the termination date) to pay holders the original issue price (\$10) of those shares.

Class A Shares

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with regular monthly cash distributions targeted to be \$0.05 per Class A share to yield 6.0% per annum on the original issue price; and
2. On or about December 1, 2014 (the termination date) to pay holders the original issue price (\$10) of those shares.

RISK

The risks of investing in the Company remain as discussed in the Annual Information form dated February 23, 2009. In addition, Note 3 of the annual financial statements ("Management of Risk") contains disclosure on specific types of risks related to the financial investments held by the Company.

The overall risk environment for all financial assets has increased significantly over the year ended November 30, 2008 as further explained in the Results of Operation section below. This environment has had a material adverse impact on the market prices of the companies held in the portfolio.

RESULTS OF OPERATIONS

By the end of 2008, the cumulative impact of the deterioration in financial and economic conditions created record lows in business, investor and consumer confidence and resulted in recessionary conditions throughout the world. In addition, the de-leveraging of hedge funds and other similar funds during the final months exacerbated market volatility and losses in financial markets.

Through this difficult environment, all financial services stocks including the Company's core holding of CIBC were negatively impacted. CIBC has declined from \$102.15, at the inception of the Company on February 16, 2007 to \$49.88 as at November 30, 2008. This represents a decline of 51.1% on the common shares of CIBC through this period. The net asset value of the Company was \$9.09 per unit (a unit consisting of one Priority Equity share and one Class A share) on November 30, 2008.

The decline in the net asset value per unit below the \$12.50 threshold, during the year required the Company to limit the dividend payments to the Class A shares and as a result only 3 monthly payments were made during the year. All Priority Equity share dividends were made at the targeted rate during the year.

As a result of the significant decline in its net asset value, the Company has been required to implement the Priority Equity Portfolio Protection Plan. The objective of the Priority Equity Portfolio Protection Plan was to ensure that the Priority Equity shares would receive \$10 on the termination date. As at November 30, 2008, the majority of the CIBC common shares 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 Company). The fixed income securities purchased were Canadian provincial government backed strip coupons. As at November 30, 2008, the Company had 81.7% of its net assets in these fixed income securities (plus cash) and the remaining 18.3% in CIBC exposure. These government backed strip coupons entitle Commerce Split to receive a fixed payment on maturity as the effective interest component continues to compound until the final payment on maturity. These fixed instruments were selected and are considered a more effective alternative than conventional commercial forward agreements because they are more cost effective, pay a higher effective compound interest rate and do not involve any exposure to non-government counterparty risk.

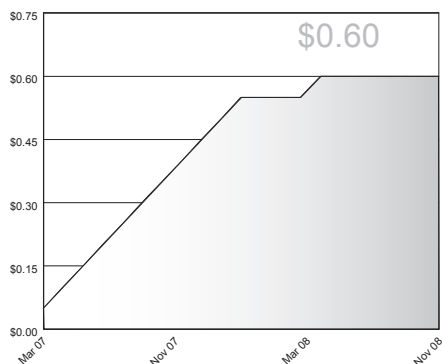
The original investment objectives of the Company were based on the assumptions that dividends received would be from a fully invested position in common shares of CIBC and that there would be an active covered call writing program which would supplement those dividends in order to achieve the distribution objectives for both classes of shares. As mentioned above, Commerce Split has had to dramatically reduce its exposure to the underlying CIBC common shares and implement the Priority Equity Portfolio Protection Plan. This has significantly impaired the Company's ability to achieve all of its distribution and capital repayment objectives for both classes of shares. The expected return from dividends and the covered call writing program on the remaining CIBC exposure as at November 30, 2008 is considered by the Company to no longer be sufficient to sustain the full monthly payments for the Priority Equity shares.

DISTRIBUTIONS

Class A Shares - Distributions

Class A shareholders are entitled to receive regular monthly cash dividends as and when declared by the Board of Directors of the Company and initially targeted to be \$0.05 per Class A share to yield 6% per annum on the original issue price. Due to the decline in the net asset value during the period, only 3 distributions were paid totaling \$0.15 per share.

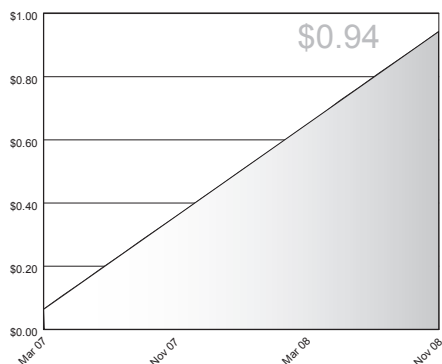
Cumulative Distributions since inception



Priority Equity Shares - Distributions

Priority Equity shareholders are entitled to receive fixed monthly cumulative preferential cash dividends in the amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the original issue price. Dividends paid during the period were paid at the targeted rate for a total of \$0.525 per share.

Cumulative Distributions since inception



RECENT DEVELOPMENTS

Adoption of new accounting standards:

On December 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments - Disclosures" of the CICA Handbook - Accounting ("Section 3862") and Section 3863, "Financial Instruments - Presentation" ("Section 3863"). These sections establish standards for the comprehensive disclosure and presentation requirements for financial instruments. The standards include new requirements to quantify certain risk exposures and to provide sensitivity analysis for certain risks (see Note 3 of the annual financial statements).

On December 23, 2008 the Board of Director's of the Company sent out a Notice of Special Meeting of Shareholders and Management Information Circular which contained a proposal that would offer a reorganization of the Company's capital and provide both Priority equity share and Class A shareholders with the potential to elect an alternative structure going forward. This proposal did not, however, receive the requisite shareholder approvals at the Special Meeting held February 5, 2009, and accordingly will not be implemented.

RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (the "Investment Manager") and Quadravest Inc. ("Manager") earn fees from the Company as described below in the Management Fees section.

MANAGEMENT FEES

The Investment Manager is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.55% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

The Manager is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the Company's Net Asset Value calculated as at the last Valuation Date in each month.

Total management fees of \$671,324 paid for the period ended November 30, 2008 include the base management fee and the administration fee. The base management fee was used by the Investment Manager to pay costs associated with the managing of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company, which includes all operational, financial accounting, shareholder reporting and regulatory reporting requirements.

SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at November 30, 2008

Name	Weighting (%)
Canadian Imperial Bank of Commerce	19.1
Priority Equity Portfolio Protection Plan securities	74.7
Total long positions as a percentage of net assets	93.8
Other net assets	6.2

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's annual financial statements and previous annual audited financial statements. For November 30, 2008 and November 30, 2007, the Net Assets included in the Net Assets per unit table is from the Company's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental data Table is for Transactional pricing purposes and calculated using closing prices (see Note 2 in the financial statements).

The Company's Net Assets per unit

	Years ended November 30	
	2008 ⁽²⁾	2007 ⁽²⁾
Net assets per unit, beginning of year ⁽¹⁾	16.30	19.03 ⁽³⁾
Increase (decrease) from operations		
Total revenue	0.58	0.44
Total expenses	(0.10)	(0.15)
Realized gains (losses) for the year	(8.19)	0.17
Unrealized gains (losses) for the year	1.20	(2.33)
Total increase (decrease) from operations ⁽⁴⁾	<u>(6.51)</u>	<u>(1.87)</u>
Distributions ⁽⁵⁾		
Taxable Dividends	(0.68)	(0.61)
Capital gains	-	(0.25)
Total annual distributions	<u>(0.68)</u>	<u>(0.86)</u>
Net assets per unit at end of year	9.09	16.30
Net assets per Priority Equity share	9.09	10.00
Net assets per Class A share	-	6.30
Net assets per unit at end of year	9.09	16.30

(1) Net assets per unit is the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding the Priority Equity shares of the Company on that date divided by the number of units then outstanding

(2) Results for the year February 16, 2007 (inception) to November 30, 2007

(3) Initial Net assets per unit is after deducting all agents' fees and filing costs in connection with the initial public offering

(4) Total increase from operations is before the payment of Priority Equity Shares and Class A share distributions and is calculated based on the weighted average number of units outstanding during the year.

(5) Distributions to Priority Equity shares and Class A shares are based on the number of Priority Equity shares and Class A shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

RATIOS AND SUPPLEMENTAL DATA

	Years ended November 30	
	2008	2007 ⁽¹⁾
Net assets (millions)	\$77.5	\$141.3
Number of units outstanding ⁽²⁾	8,471,575	8,667,200
Base Management expense ratio excluding one time initial offering expenses ⁽³⁾	0.86%	1.02%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	0.86%	6.29%
Portfolio turnover rate ⁽⁵⁾	168.8%	20.20%
Trading expense ratio ⁽⁶⁾	0.16%	0.07%
Closing market price (TSX):		
Priority Equity shares	\$6.25	\$9.75
Closing market price (TSX):		
Class A shares	\$1.05	\$6.40

⁽¹⁾ Results for the year February 16, 2007 (inception) to November 30, 2007

⁽²⁾ This information is provided as at November 30

⁽³⁾ A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding the one time initial offering expenses. Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of average net assets during the year

⁽⁴⁾ Share issue expenses, representing all Agents' fees and other offering expenses can be found in the attached annual financial statements

⁽⁵⁾ The Company's portfolio turnover rate indicates how actively the Company's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company

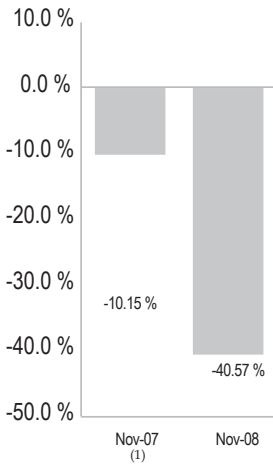
⁽⁶⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the year.

PAST PERFORMANCE

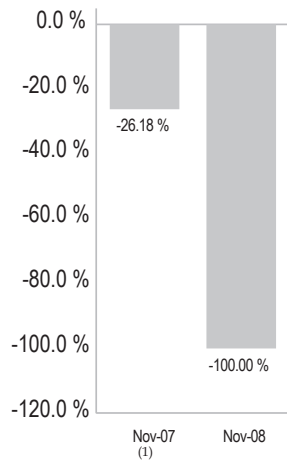
The past performance of 1) the net asset value per unit (1 Priority Equity share and 1 Class A share); 2) the Priority Equity share on net asset value basis; and 3) the Class A share on a net asset value basis for the year ended November 30 and for each 12 month year ended November 30 since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a Unit, a Priority Equity share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable securities of the Company,
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and,
- Past performance of the Company does not necessarily indicate how it will perform in the future.

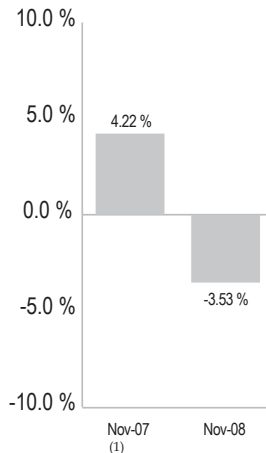
NET ASSET VALUE



CLASS A SHARE



PRIORITY EQUITY SHARE



⁽¹⁾ Based on initial year from February 16, 2007 to November 30, 2007.

ANNUAL COMPOUND PERFORMANCE

The following table shows the Company's annual compound return for the period ended November 30, 2008:

	One year	Since inception
Commerce Split Corp. - Unit	-40.57%	-30.03%
Commerce Split Corp. - Priority Equity share	-3.53%	2.96%
Commerce Split Corp. - Class A share	-100.00%	-100.00%
Benchmark Index ⁽¹⁾	N/A	N/A

MARKET INDEX

S&P TSX Financial index	-32.45%	-20.27%
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⁽¹⁾ As a result of the Company being limited to a specific stock and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

**COMMERCE SPLIT CORP.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Commerce Split Corp. (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with Canadian generally accepted accounting principles and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in Note 2 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Company with the approval of its Board of Directors, has appointed the external firm PricewaterhouseCoopers LLP as the auditors of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

**AUDITORS' REPORT
FEBRUARY 12, 2009**

Auditors' Report

To the Shareholders of Commerce Split Corp.

We have audited the statement of portfolio investments of **Commerce Split Corp.** (the "Company") as at November 30, 2008, the statements of financial position as at November 30, 2008 and 2007 and the statements of operations and deficit, changes in shareholders' equity and cash flow for the year ended November 30, 2008 and the period from February 16, 2007 to November 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and 2007 and the results of its operations and its cash flow for the year ended November 30, 2008 and the period from February 16, 2007 to November 30, 2007 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants, Licensed Public Accountants
Toronto, Ontario**

COMMERCE SPLIT CORP.
STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30

	2008 (\$)	2007 (\$)
ASSETS		
Investments -at fair value (note 2)	72,022,774	136,585,070
Cash	5,422,753	5,565,903
Receivable in respect of investments sold	-	76,000
Total Assets	<u>77,445,527</u>	<u>142,226,973</u>
LIABILITIES		
Fees and other accounts payable	70,563	153,525
Dividends payable	370,631	812,550
Priority Equity shares (note 4 and 1b)	<u>77,004,333</u>	<u>86,672,000</u>
	<u>77,445,527</u>	<u>87,638,075</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	76,665,383	78,435,734
Deficit	<u>(76,665,383)</u>	<u>(23,846,836)</u>
	-	54,588,898
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>77,445,527</u>	<u>142,226,973</u>

Number of units (1 Priority Equity share and 1 Class A share) outstanding	8,471,575	8,667,200
Net assets per unit (note 2)	\$9.09	\$16.30
Net assets per Priority Equity share (note 2)	\$9.09	\$10.00
Net assets per Class A share (note 2)	-	\$6.30
Net asset value per unit (Transactional)(note 2)	\$9.15	\$16.30

Approved on behalf of the Board of Directors



WAYNE FINCH
Chairman and
Chief Investment Officer



PETER CRUICKSHANK
Managing Director and
Chief Financial Officer

The accompanying notes are an integral part of these financial statements.

COMMERCE SPLIT CORP.
STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

	For the year ended Nov 30, 2008 (\$)	For the period from Feb 16, 2007 to Nov 30, 2007 (\$)
INCOME		
Dividends	4,501,902	3,634,384
Interest	557,073	160,041
	<u>5,058,975</u>	<u>3,794,425</u>
EXPENSES (note 6)		
Management fees	671,324	810,236
Service fees	(12,365)	265,230
Audit fees	19,239	19,221
Directors' and Independent Review Committee fees	24,068	17,682
Custodian fees	26,397	29,532
Legal fees	20,814	442
Shareholder reporting costs	16,172	32,860
Other operating expenses	59,400	38,562
Goods and services tax	41,888	57,024
	<u>866,937</u>	<u>1,270,789</u>
Net investment income		
before distributions on Priority Equity shares	4,192,038	2,523,636
Distributions on Priority Equity shares (note 4 and 7)	<u>(4,541,721)</u>	<u>(3,604,590)</u>
Net investment loss for the year	<u>(349,683)</u>	<u>(1,080,954)</u>
Realized and unrealized gain (loss)		
on investments and options and transaction costs		
Net realized gain (loss) on investments and options	(70,888,696)	1,459,651
Change in unrealized appreciation (depreciation) of investments	10,350,214	(20,212,487)
Transaction costs on purchase and sale of investments (note 2)	<u>(161,920)</u>	<u>(108,793)</u>
Net loss on investments and options for the year	<u>(60,700,402)</u>	<u>(18,861,629)</u>
Reduction in Value of Priority Equity shares	7,711,417	-
Decrease in net assets from operations for the year	<u>(53,338,668)</u>	<u>(19,942,583)</u>
Deficit - Beginning of year	<u>(23,846,836)</u>	-
Net allocation on retractions	1,820,201	13,107
Distributions on Class A shares (note 5 and 7)	<u>(1,300,080)</u>	<u>(3,917,360)</u>
Deficit - End of year	<u>(76,665,383)</u>	<u>(23,846,836)</u>
Decrease in net assets from operations per Class A share	<u>(6.17)</u>	<u>(2.30)</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SPLIT CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

	For the year ended Nov 30, 2008 (\$)	For the period from Feb 16, 2007 to Nov 30, 2007 (\$)
Shareholders' equity - Beginning of year	54,588,898	-
Decrease in net assets from operations for the year	(53,338,668)	(19,942,583)
Gross proceeds from issue of Class A shares	-	87,100,000
Agents' fees and filing costs in connection with the initial public offering	-	(8,277,943)
Net proceeds from issue of Class A shares (note 5)	-	78,822,057
Net proceeds from issue of Class B shares (note 5)	-	1,000
Class A share redemptions	49,850	(374,216)
Distributions on Class A shares		
From net realized gains	-	(378,697)
From return of capital	(1,300,080)	(3,538,663)
	(1,300,080)	(3,917,360)
Increase (decrease) in net assets for the year	<u>(54,588,898)</u>	<u>54,588,898</u>
Shareholders' equity - End of year	<u>-</u>	<u>54,588,898</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SPLIT CORP.
STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

	For the year ended Nov 30, 2008 (\$)	For the period from Feb 16, 2007 to Nov 30, 2007 (\$)
Cash flow from Operating activities		
Net investment loss for the year	(349,683)	(1,080,954)
Proceeds from sale of investments	166,967,552	31,443,800
Purchase of investments	(163,105,658)	(186,890,499)
Net change in receivable balances	76,000	(76,000)
Net change in payable balances	<u>(524,881)</u>	<u>966,075</u>
Cash flow from operations	3,063,330	(155,637,578)
Cash flow from Financing activities		
Gross proceeds from the issue of Class A shares and Priority Equity shares*	-	174,201,000
Agents' fee and filing costs in connection with the initial public offering	-	(8,277,943)
Amount paid on redemption of Class A shares and Priority Equity shares	(1,906,400)	(802,216)
Distribution on Class A shares	<u>(1,300,080)</u>	<u>(3,917,360)</u>
Cash flow from Financing activities	(3,206,480)	161,203,481
Net increase (decrease) in cash for the year	(143,150)	5,565,903
Cash, beginning of year	<u>5,565,903</u>	<u>-</u>
Cash, end of year	<u>5,422,753</u>	<u>5,565,903</u>

*includes 1,000 Class B shares

The accompanying notes are an integral part of these financial statements.

COMMERCE SPLIT CORP.
STATEMENT OF PORTFOLIO INVESTMENTS

AS AT NOVEMBER 30, 2008

No. of shares	Description	Average Cost (\$) (Premiums received)	Market Value (\$)
	Core Holding		
	Canadian Common Equities		
303,600	Canadian Imperial Bank of Commerce	22,880,538	14,727,636
	Total Canadian Common Equities in Core Holding (20.5%)	<u>22,880,538</u>	<u>14,727,636</u>
No. of contracts	Canadian call options (100 shares per contract)		
1,000	Canadian Imperial Bank of Commerce, December 2008 @ \$56	903,000	47,000
1,000	Canadian Imperial Bank of Commerce, December 2008 @ \$60	673,000	11,000
1,000	Canadian Imperial Bank of Commerce, January 2009 @ \$54	793,000	164,000
	Total Canadian call options(0.3%)	<u>2,369,000</u>	<u>222,000</u>
	Canadian call options written (100 shares per contract)		
(500)	Canadian Imperial Bank of Commerce, December 2008 @ \$46	(116,000)	(242,500)
(250)	Canadian Imperial Bank of Commerce, December 2008 @ \$48	(43,000)	(87,500)
(250)	Canadian Imperial Bank of Commerce, January 2009 @ \$50	(47,520)	(87,500)
	Total Canadian call options written (-0.6%)	<u>(206,520)</u>	<u>(417,500)</u>
Face value	Priority Equity Portfolio Protection Plan securities		
22,000,000	Quebec provincial coupon March 21,2014	17,546,943	17,828,360
3,000,000	Quebec provincial coupon June 1,2014	2,424,560	2,412,840
7,615,000	Ontario provincial coupon June 2, 2014	6,046,007	6,151,168
2,705,000	Ontario provincial coupon July 13,2014	2,132,811	2,175,280
10,870,000	Ontario provincial coupon December 2,2014	8,452,112	8,563,060
5,800,000	Ontario Hydro coupon February 6,2014	4,745,400	4,753,970
6,100,000	Ontario Hydro coupon October 17,2014	4,828,029	4,922,944
13,400,000	Hydro Quebec coupon July 15,2014	10,678,364	10,683,016
	Total Priority Equity Portfolio Protection Plan securities (79.8%)	<u>56,854,226</u>	<u>57,490,638</u>
		<u>81,897,244</u>	<u>72,022,774</u>
	less adjustment for transaction costs	(13,825)	
	Total Investments (100%)	<u>81,883,419</u>	<u>72,022,774</u>

The Statement of Portfolio Investments is at November 30, 2008 and may or may not be indicative of the current portfolio. Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

The accompanying notes are an integral part of these financial statements.

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

1. Incorporation

Commerce Split Corp. (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on November 27, 2006 and began investment operations on February 16, 2007. The manager of the Company is Quadravest Inc. (the "Manager") and the investment manager is Quadravest Capital Management Inc. ("Quadravest"). All shares outstanding on December 1, 2014, the termination date of the Company, will be redeemed by the Company on that date.

1b. Sufficiency of Assets

The Company has 8,471,575 Priority Equity shares outstanding as at November 30, 2008 with a principal repayment of \$10 per Priority Equity share for a total of \$84,715,750 due on the termination date, December 1, 2014. As at November 30, 2008, the Company has net assets equivalent to \$9.09 per Priority Equity share for a total of \$77,004,333. This represents a deficiency as at November 30, 2008 of \$0.91 per Priority Equity share for a total deficiency of \$7,711,417. The Company has activated the Priority Equity Protection Plan and purchased fixed income securities with the goal of achieving the repayment of \$10 per Priority Equity share upon termination.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting years. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

Adoption of New Accounting standards

On December 1, 2007, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1535, Capital Disclosures; section 3862, Financial Instruments-Disclosures; and Section 3863, Financial Instruments-Presentation. These standards impact the Company's disclosure provided but does not affect the Company's results or financial position.

Section 1535-Capital Disclosures

On December 1, 2007, the Company adopted CICA section 1535, "Capital Disclosures" which requires that the Company disclose information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

Section 3862-Financial Instruments-Disclosures

CICA section 3862, "Financial Instruments-Disclosures" requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks.

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

Section 3863-Financial Instruments-Presentation

CICA section 3863, "Financial Instruments-Recognition and Measurement," carries forward the presentation requirements of Section 3861 with respect to financial instruments.

Valuation of investments

In accordance with Accounting Guideline 18, Investment Companies, investments are deemed to be categorized as held for trading, and are required to be recorded at fair value as defined in CICA Handbook-Accounting Section 3855, Financial Instruments-Recognition and Measurement ("Section 3855").

The fair value of investments as at the financial reporting date is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing bid price
- Listed options are valued at closing bid prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

Section 14.2 of amended National Instrument 81-106 ("NI-106") issued by the Canadian Securities Administrators, that came into force on September 8, 2008, requires an investment fund to calculate its net asset value for the purposes of any purchases or redemption of units to be based on the fair value of the investment's fund's assets and liabilities (Net Asset Value or NAV). The Company has not changed its methodology in this respect.

The fair value of investments for purposes of calculating the bi monthly net asset value published on the Company's website and also used for the purposes of calculating the price paid on any redemptions received is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the last traded market price
- Listed options are valued at the last traded prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

In accordance with Section 3.6 (1) 5 of NI-81-106, the Net Asset Value per unit is compared to the Net Assets per unit and a reconciliation between the differences, are required in the notes to the financial statements. The following table is presented to show the differences between the calculations of these amounts:

	Net Assets (GAAP NAV)	Difference	Net Asset Value (Published NAV)
November 30, 2008	\$77,004,333	\$525,336	\$77,529,669

	Net Assets (GAAP NAV) per unit	Difference	Net Asset Value (Published NAV) per unit
November 30, 2008	\$9.09	\$0.06	\$9.15

Transaction costs

- Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company are recognized as an expense in the Statement of Operations and Retained Earnings (Deficit). The transaction costs for investments held at November 30, 2008 is shown separately on the Statement of Portfolio Investments.

Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the statements of operations.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

Redeemable Priority Equity shares

Each redeemable Priority Equity share is valued for financial statement purposes at the lesser of: (i) \$10.00; and (ii) the net assets of the Company divided by the number of Priority Equity shares outstanding. The net assets is equal to the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding Priority Equity shares of the Corporation on a particular date.

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Company will adopt the International Financial Reporting Standards (IFRS). The Manager has developed a changeover plan to meet the timetable published by the CICA for changeover to IFRS. The key elements of the plan include disclosures of the qualitative impact in the 2009 annual financial statements, the disclosure of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Company.

3. Management of Financial Risk

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

Market Price Risk

All securities investments present a risk of loss of capital.

The market price risk is affected by three main components: price movements, interest rate risk and foreign currency movements.

Price risk

It would be reasonable to expect that the Company's portfolio will exhibit market price movements that are reflective and generally highly correlated with the market price of C.I.B.C. common stock. The supplemental covered call writing program which generates an additional stream of income to the portfolio may also help mitigate against market price declines during years in which the Company has a covered call option written against some or all of that position. Due to implementation of the Priority Equity Portfolio Protection Plan during the year, the Company's exposure to CIBC common shares has been reduced to 19.1% of the net assets of the Company as at November 30, 2008.

A 10% increase / decrease in the portfolio (net of any call options) would currently increase / decrease net assets by \$1,472,764.

Interest rate risk

The majority of the Company's financial assets are now invested in fixed income securities as part of the Priority Equity Portfolio Protection Plan. As at November 30, 2008, approximately 74.7% of the net assets of the Company are invested in Canadian provincial government strip coupons with maturity dates in 2014. As a result, this portion of the portfolio is subject to interest rate risk. A 5% increase/decrease in the market value of the fixed income securities would currently increase/decrease net assets by \$2,874,532.

COMMERCE SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

Currency risk

The portfolio holding and other net assets are denominated in Canadian dollars and therefore there is no currency risk.

Other risks

Credit risks

Credit risk is defined as the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker.

The Company had purchased Canadian provincial government strip coupons as part of the Priority Equity Protection Plan. The Company considers the risk of default as low in connection with these fixed income instruments.

Liquidity risk

The Company pays monthly dividends and is subject to redemption requests from time to time. The Company's portfolio is invested in CIBC which is a highly liquid large capitalization stock that trades on the Toronto Stock Exchange ("TSX") and government bonds. As such, any requirement to raise cash beyond the Company's normal operating level can easily be satisfied through the sales of its portfolio holding. The Company receives adequate notice for all redemption requests. The Company considers liquidity risk as low.

Concentration risk

The Company's only equity holding is concentrated in the common stock of CIBC and as such will be exposed to the specific factors that affect this stock.

4. Priority Equity shares

The Company is authorized to issue an unlimited number of Priority Equity shares.

<u>Issued and outstanding</u>	November 30, 2008	November 30, 2007
8,471,575 Priority Equity shares (2007-8,667,200)	\$84,715,750	\$86,672,000
less reduction in value of Priority Equity shares	<u>(7,711,417)</u>	<u>-</u>
	\$77,004,333	\$86,672,000
 <u>Priority Equity share transactions</u>		
Beginning of period	8,667,200	-
Issued during the period	-	8,710,000
Redemptions during the period	<u>(195,625)</u>	<u>(42,800)</u>
End of year	8,471,575	8,667,200

On February 16, 2007, 8,500,000 Priority Equity shares were issued at \$10 per share. An additional 210,000 Priority Equity shares were issued at \$10 per share on March 5, 2007.

COMMERCE SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

Priority Equity shares are entitled to cumulative monthly cash dividends of \$0.04375 per Priority Equity share. All Priority Equity shares outstanding on December 1, 2014 will be redeemed by the Company on that date. For accounting purposes, the Priority Equity shares have been presented as liabilities in the financial statements in accordance with Section 3863 of the CICA Handbook.

Priority Equity shares trade under the symbol "XCM.A" on the TSX. Priority Equity shares trading price on the TSX was \$6.25 as at November 30, 2008 (\$9.75 - 2007). Priority Equity shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Priority Equity share and a Class A share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of October. Priority Equity shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction.

The Priority Equity shares rank in priority to the Class A shares with respect to the payment of dividends. Priority Equity shares rank in priority to the Class A shares upon termination of the Company. Upon termination of the Company, Priority Equity shareholders will receive the lower of the net asset value or \$10 per Priority Equity share.

5. Class A shares and Class B shares

Authorized

An unlimited number of Class A shares
1,000 Class B shares

<u>Issued and outstanding</u>	November 30, 2008	November 30, 2007
8,471,575 Class A shares (2007 - 8,667,200)	\$76,664,383	\$78,434,734
1,000 Class B shares	\$1,000	\$1,000
	<u>\$76,665,383</u>	<u>\$78,435,734</u>
<u>Class A share transactions</u>		
Beginning of period	8,667,200	-
Issued during the period	-	8,710,000
Redemptions during the period	<u>(195,625)</u>	<u>(42,800)</u>
End of year	<u>8,471,575</u>	<u>8,667,200</u>

Class A shares were issued at \$10 per share. Class A distributions are targeted at \$0.05 per month per share. All Class A shares outstanding on December 1, 2014 will be redeemed by the Company on that date. Class A shares trade under the symbol "XCM" on the TSX.

Class A shares trading price on the TSX was \$1.05 as at November 30, 2008 (\$6.40 - 2007). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Priority Equity share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the transactional net asset value per unit on the last day of October. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Priority Equity shares or Class A shares tendered for retraction.

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007**

The Priority Equity shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the transactional net asset value per unit less \$10 (the redemption value of the Priority Equity shares).

On February 16, 2007, the Company issued 8,500,000 Class A shares for gross proceeds of \$85,000,000. Agents' fees of \$7,650,000 and filing costs of \$600,000 were incurred in connection with this offering. On March 5, 2007, the Company issued an additional 210,000 Class A shares for gross proceeds of \$2,100,000. Agents' fees of \$189,000 were incurred in connection with this offering.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On February 16, 2007, the Company issued 1,000 Class B shares to Commerce Split Corp. Holding Trust for cash consideration of \$1,000.

6. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the transactional net assets of the Company, which includes the outstanding Priority Equity shares, calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.55% of the transactional net assets of the Company, which includes the outstanding Priority Equity shares, calculated as at each monthly valuation date.

Total management fees of \$671,324 (\$810,236 - 2007) incurred during the year include the administration fee and base management fee.

The brokerage commissions paid during the year by the Company for its portfolio transactions were \$161,920 (\$108,793 - 2007).

7. Distributions

The Company's investment objectives are to provide floating monthly distributions to both the Priority Equity and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2014.

Distributions per share were as follows:

	November 30, 2008	November 30, 2007
Priority Equity shares	\$0.525	\$0.4141
Class A shares	\$0.15	\$0.45

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2008 AND FOR THE PERIOD FROM FEBRUARY 16, 2007 TO NOVEMBER 30, 2007

8. Capital Management

The Company considers its capital to consist of Class A, Class B and Priority Equity shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Priority Equity shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Priority Equity share to yield 5.25% per annum on the original issue price and to return the original issue price on December 1, 2014; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.05 per Class A share to yield 6.0 % on the original issue price and return the original issue price on December 1, 2014

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

9. Income Taxes

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

The Company is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable Priority Equity shares.

10. Subsequent Event

On December 23, 2008 the Board of Director's of the Company sent out a Notice of Special Meeting of Shareholders and Management Information Circular which contained a proposal that would offer a reorganization of the Company's capital and provide both Priority equity share and Class A shareholders with the potential to elect an alternative structure going forward. This proposal did not, however, receive the requisite shareholder approvals at the Special Meeting held February 5, 2009, and accordingly will not be implemented.

QUADRAVEST CAPITAL MANAGEMENT INC.

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

BOARD OF DIRECTORS

Wayne Finch,
Chairman and
Chief Investment Officer

Laura Johnson,
Managing Director and
Portfolio Manager

Michael W. Sharp
Blake, Cassels & Graydon LLP

Peter Cruickshank,
Managing Director and
Chief Financial Officer

William Thornhill,
President, William C.
Thornhill Consulting Inc.

John Steep
President, S. Factor Consulting Inc.

CORPORATE DETAILS

Auditors

PricewaterhouseCoopers LLP
77 King Street West, P.O. Box 82
Toronto, Ontario M5K 1G8

Transfer Agent

Computershare
100 University Avenue
Toronto, Ontario M5J 2Y1

Legal Counsel

Blake, Cassels & Graydon LLP
Commerce Court West
Toronto, Ontario M5L 1A9

Custodian

RBC Dexia
Royal Trust Tower, 77 King Street West
11th Floor, Toronto, Ontario M5W 1P9



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

Tel: 416.304.4443

Toll: 877.4QUADRA

or 877.478.2372

Fax: 416.304.4441

info@quadravest.com

www.quadravest.com