

MAY 31 | **COMMERCE SPLIT CORP.**
2009 | **SEMI-ANNUAL REPORT**
(UNAUDITED)

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.
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
MAY 31, 2009

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2009. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-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

The Company 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 22, 2009. In addition, Note 3 of the semi-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 continues to remain at above average levels as further explained in the Results of the Operation section below. This environment has created a much higher degree of uncertainty as to the outlook for the market prices of the companies held in the portfolio.

RESULTS OF OPERATIONS

As discussed in the November 30, 2008 annual report, the significant decline in CIBC common stock from \$102.15 at the inception of the Company on February 16, 2007 to below \$50 during fiscal 2008 required the Company to implement the Priority Equity Protection Plan. CIBC common stock hit a low of \$36.51 in early March 2009 (a decline of 64.2% since the inception date of the Company) which required the Company to further reduce the Company's holding of CIBC common stock and use the proceeds to increase fixed income instruments held under the Priority Equity Protection Plan as required under the prospectus. The objective of the Priority Equity Protection Plan is to provide repayment of the original \$10 par value of the Priority Equity shares.

As at May 31, 2009, the net asset value of the Company was \$8.96 per unit (a unit consisting of one Priority Equity share and one Class A share). As a result of the significant liquidation of CIBC common shares to facilitate the requirements of the Priority Equity Portfolio Protection Plan, the Company had 83.1% in fixed income securities (plus cash) and the remaining 16.9% in CIBC common stock as at May 31, 2009. The fixed income securities held in the Priority Equity Protection Plan consist of Canadian provincial government backed strip bonds. These fixed income instruments entitle Commerce Split to receive a fixed payment on maturity as the effective interest component continues to compound until the final payment on maturity.

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 had to dramatically reduce its exposure to the underlying common shares and implement the Priority Equity 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.

On December 23, 2008, the Company sent out a Notice of Special Meeting of Shareholders and Management Information circular which contained a Management initiated proposal that offered a reorganization of the Company's capital and provided both Priority Equity shares 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 was not implemented. Outside of certain larger shareholders, the remaining shareholders had voted overwhelmingly in support of this proposal.

Since that meeting, the Company has received several shareholder requests to wind up the Company. In response to this request, the Company would like to remind all shareholders that all such proposals must receive a 66 2/3 favourable vote by both the Class A shareholders and the Priority Equity shareholders voting separately by class. This requirement is outlined in the Company's prospectus and is part of the articles of incorporation of the Company. Under any kind of termination proposal at the current time, Class A shareholders would receive no value for their Class A shares since the net asset value per unit is below \$10. The Class A shares have traded on the Toronto Stock Exchange in a range between \$0.36 and \$1.84 since February 5, 2009 and closed at \$1.20 on May 31, 2009. As such, the Company does not believe that this proposal is in the best interests of the Class A shareholders and any termination proposal that would provide no value to the Class A shareholders would almost assuredly not be approved by Class A shareholders.

The Company will continue to seek solutions that will balance and meet the interests of both classes of shareholders and also result in a successful vote. The costs of holding a meeting including legal, proxy mailing and transfer agent costs are significant to the Company and, as such, the Company will only bring forward a proposal that balances the interests of both classes and one in which management considers has a high probability of being passed by the requisite majorities of each Class of shareholders.

On February 18, 2009, the Company announced that it was suspending its regular monthly dividends on the Priority Equity shares in order to preserve cash and to assist in rebuilding the net asset value in an attempt to achieve longer term objectives. Since the dividends on the Priority Equity shares are cumulative, the February, March, April and May suspended dividends (and all subsequent dividends not paid) will be accrued to the benefit of the Priority Equity shareholders and are recorded as a liability in the Company's net asset value. Such amounts will be included as part of the retraction price paid on any Priority Equity shares redeemed.

On March 2, 2009, the Company announced the acceptance of a Normal Course Issuer bid that could allow the Company to purchase, from time to time, up to 10% of the public float of the shares. The Company plans on utilizing this only in situations where the combined trading prices of the Priority Equity shares and Class A shares are at an excessive discount to net asset value of the Company.

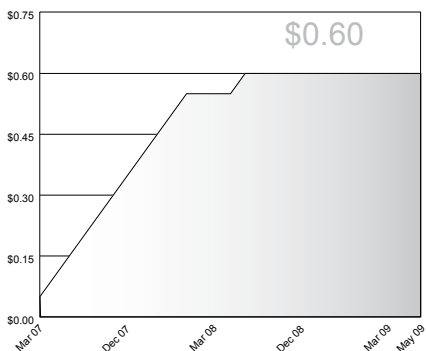
As the Company's required priority investment objective at this point in time is the repayment of the \$10 par value per Priority Equity share at termination, the Company's net asset value going forward is expected to be heavily influenced by changes in the market prices of the fixed income securities held in the Priority Equity Protection Plan as more than 80% of the assets are in these instruments as at May 31, 2009.

DISTRIBUTIONS

Class A Shares - Distributions

Class A shareholders are entitled to receive regular monthly cash dividends 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 to below \$12.50 per unit, no monthly distributions were made during the period.

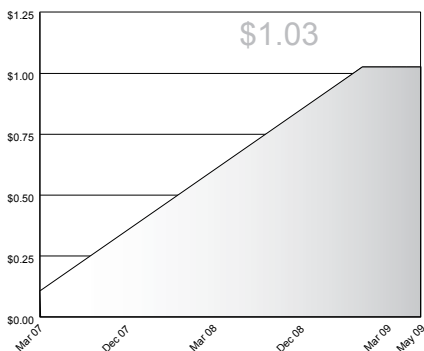
Cumulative Distributions since inception



Priority Equity Shares - Distributions

Priority Equity shareholders are entitled to receive regular monthly cash dividends in the amount of \$0.04375 per Priority Equity Share to yield 5.25% per annum on the original issue price. Two monthly distributions were paid during the period at the targeted rate for a total of \$0.0875 per share. The remaining 4 monthly payments have been accrued.

Cumulative Distributions since inception



RECENT DEVELOPMENTS

Amendment to section 3862-Financial Instrument Disclosure

In March 2009, the International Accounting Standards Board issued amendments to IFRS 7, Financial Instruments: Disclosures (“IFRS”) intended to improve disclosures about fair value and liquidity risk. The Canadian accounting Standards Board announced in its March 25-26 Decision Summary that it will adopt the amendments into Canadian generally accepted accounting principles (“GAAP”) section 3862, Financial Instruments-Disclosures (“Section 3862”). The amendments apply to fiscal years ending after September 30, 2009 and will be implemented in the Company’s November 30, 2009 annual financial statements. These changes affect disclosure only and will not have any impact on the Company’s net asset value.

RELATED PARTY TRANSACTIONS

The Investment Manager and 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 \$235,163 paid for the period ended May 31, 2009 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 May 31, 2009

Name	Weighting (%)
Canadian Imperial Bank of Commerce	18.9
Priority Equity Portfolio Protection Plan securities	76.6
Total long positions as a percentage of net assets	95.5
Other net assets	4.5

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 semi-annual financial statements and previous annual audited financial statements. For May 31, 2009 and November 30, 2008, 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 Asset Value (NAV) per unit

	Periods ended November 30		
	May 31, 2009	2008 ⁽²⁾	2007
Net asset value per unit, beginning of period ⁽¹⁾	9.09	16.30	19.03 ⁽³⁾
Increase (decrease) from operations			
Total revenue	0.21	.58	0.44
Total expenses	(0.06)	(0.10)	(0.15)
Realized gains (losses) for the period	(1.30)	(8.19)	0.17
Unrealized gains (losses) for the period	1.26	1.20	(2.33)
Total increase (decrease) from operations ⁽⁴⁾	<u>0.11</u>	<u>(6.51)</u>	<u>(1.87)</u>
Distributions ⁽⁵⁾			
Taxable Dividends	(0.09)	(0.68)	(0.61)
Capital gains	-	-	(0.25)
Total annual distributions	<u>(0.09)</u>	<u>(0.68)</u>	<u>(0.86)</u>
Net asset value per unit at end of period	8.96	9.09	16.30
Net asset value per Priority Equity share	8.96	9.09	10.00
Net asset value per Class A share	-	-	6.30
Net asset value per unit at end of period	8.96	9.09	16.30

- (1) Net asset value 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 period February 16, 2007 (inception) to May 31, 2007
- (3) Initial net asset value 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 period.
- (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

	May 31, 2009	Periods ended November 30, 2007 ⁽¹⁾	
		2008	2007 ⁽¹⁾
Net assets (millions)	\$72.0	\$77.5	\$141.3
Number of units outstanding ⁽²⁾	8,041,975	8,471,575	8,667,200
Base Management expense ratio excluding one time initial offering expenses ⁽³⁾	1.33%	0.86%	1.02%
Management expense ratio including one time initial offering expenses ⁽⁴⁾	1.33%	0.86%	6.29%
Portfolio turnover rate ⁽⁵⁾	29.0%	168.8%	20.20%
Trading expense ratio ⁽⁶⁾	0.04%	0.04%	0.07%
Closing market price (TSX):			
Priority Equity shares	\$7.26	\$6.25	\$9.75
Closing market price (TSX):			
Class A shares	\$1.20	\$1.05	\$6.40

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

(2) This information is provided as at May 31 or November 30, as applicable

(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 period and is expressed as an annualized percentage of average net assets during the period

(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

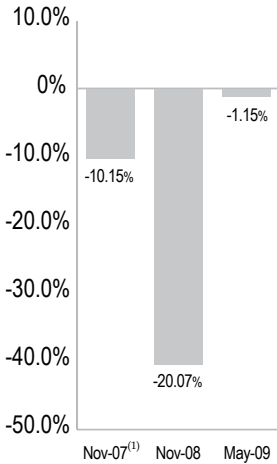
(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net assets during the period.

PAST PERFORMANCE

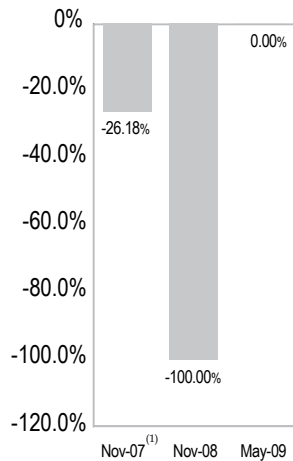
The past performance of 1) the net asset value per unit (1 Priority Equity share and 1 Class A share); 2) the Priority Equity share on net asset value basis; and 3) the Class A share on a net asset value basis for the six month ended May 31, 2009 and for each 12 month period ended November 30 since inception 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 period. In respect of the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the periods 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.

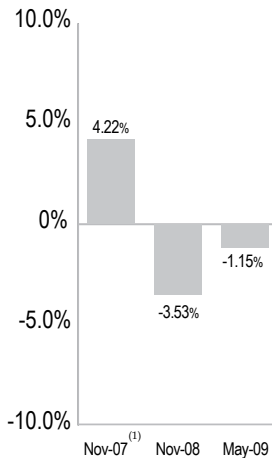
NET ASSET VALUE



CLASS A SHARE



PRIORITY EQUITY SHARE



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

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

The financial statements of Commerce Split Corp. (the "Company") and all the information in this semi-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's independent auditors have not performed a review of these semi annual financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

COMMERCE SPLIT CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2009 AND NOVEMBER 30, 2008 (UNAUDITED)

	May 31, 2009 (\$)	November 30, 2008 (\$)
ASSETS		
Investments - at fair value (note 2)	68,754,945	72,022,774
Cash	3,980,371	5,422,753
Receivable in respect of investments sold	750,416	-
Total Assets	<u>73,485,732</u>	<u>77,445,527</u>
LIABILITIES		
Fees and other accounts payable	58,318	70,563
Dividends payable	1,407,346	370,631
Priority Equity shares (note 4 and 1b)	72,020,068	77,004,333
	<u>73,485,732</u>	<u>77,445,527</u>
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	72,778,448	76,665,383
Deficit	<u>(72,778,488)</u>	<u>(76,665,383)</u>
	-	-
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>73,485,732</u>	<u>77,445,527</u>
Number of units (1 Priority Equity share and 1 Class A share) outstanding	8,041,975	8,471,575
Net assets per unit (note 2)	\$8.96	\$9.09
Net assets per Priority Equity share (note 2)	\$8.96	\$9.09
Net assets per Class A share (note 2)	-	-

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 RETAINED EARNINGS (DEFICIT)
FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009 (\$)	2008 (\$)
INCOME		
Dividends	533,658	2,459,577
Interest	1,218,716	54,268
	<u>1,752,374</u>	<u>2,513,845</u>
EXPENSES (note 6)		
Management fees	235,163	367,320
Audit fees	10,859	9,048
Directors' and Independent Review Committee fees	11,278	11,302
Custodian fees	12,892	12,878
Legal fees	103,048	15,370
Shareholder reporting costs	54,673	5,444
Other operating expenses	46,050	29,364
Goods and services tax	24,168	23,208
	<u>498,131</u>	<u>473,934</u>
Net investment income		
before distributions on Priority Equity shares	1,254,243	2,039,911
Distributions on Priority Equity shares (note 4 and 7)	<u>(2,144,019)</u>	<u>(2,275,140)</u>
Net investment loss for the period	<u>(889,776)</u>	<u>(235,229)</u>
Realized and unrealized gain (loss)		
on investments and options and transaction costs		
Net realized loss on investments and options	(10,742,087)	(25,945,309)
Change in unrealized appreciation (depreciation) of investments	10,448,578	(4,376,787)
Transaction costs on purchase and sale of investments (note 2)	<u>(29,819)</u>	<u>(67,686)</u>
Net loss on investments and options for the period	<u>(323,328)</u>	<u>(30,389,782)</u>
Reduction in Value of Priority Equity shares	<u>1,079,330</u>	<u>-</u>
Decrease in net assets from operations for the period	<u>(133,774)</u>	<u>(30,625,011)</u>
Deficit - Beginning of period	(76,665,383)	(23,846,836)
Net allocation on retractions	4,020,709	
Distributions on Class A shares (note 5 and 7)	-	<u>(1,300,080)</u>
Deficit - End of period	<u>(72,778,448)</u>	<u>(55,771,927)</u>
Decrease in net assets from operations per Class A share	(0.02)	(3.53)

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

COMMERCE SPLIT CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009 (\$)	2008 (\$)
Shareholders' equity - Beginning of period	-	54,588,898
Decrease in net assets from operations for the period	(133,774)	(30,625,011)
Class A share redemptions	133,774	-
Distributions on Class A shares		
From net realized gains	-	-
From return of capital	-	(1,300,080)
	<u>-</u>	<u>(1,300,080)</u>
Increase (decrease) in net assets for the period	<u>-</u>	<u>(31,925,091)</u>
Shareholders' equity - End of period	<u>-</u>	<u>22,663,807</u>

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

COMMERCE SPLIT CORP.
STATEMENTS OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED MAY 31 (UNAUDITED)

	2009 (\$)	2008 (\$)
Cash flow from Operating activities		
Net investment loss for the period	(889,776)	(235,229)
Proceeds from sale of investments	24,326,907	74,274,088
Purchase of investments	(21,382,406)	(68,226,121)
Net change in receivable balances	(750,416)	76,000
Net change in payable balances	1,024,470	(69,172)
Cash flow from operations	<u>2,328,779</u>	<u>5,819,566</u>
Cash flow from Shareholder activities		
Amount paid on redemption of Class A shares and Priority Equity shares	(3,771,161)	-
Distribution on Class A shares	-	(1,300,080)
Cash flow from Shareholder activities	<u>(3,771,161)</u>	<u>(1,300,080)</u>
Net increase (decrease) in cash for the period	(1,442,382)	4,519,486
Cash, beginning of period	5,422,753	5,565,903
Cash, end of period	<u>3,980,371</u>	<u>10,085,389</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 MAY 31, 2009

No. of shares	Description	Average Cost (\$) (Premiums received)	Market Value (\$)
	Core Holding		
	Canadian Common Equities		
250,100	Canadian Imperial Bank of Commerce	14,697,509	13,645,456
	Total Canadian Common Equities in Core Holding (19.8%)	<u>14,697,509</u>	<u>13,645,456</u>
No. of contracts	Canadian call options written (100 shares per contract)		
(125)	Canadian Imperial Bank of Commerce, June 2009 @ \$64	(14,250)	(1,375)
(50)	Canadian Imperial Bank of Commerce, June 2009 @ \$56	(4,201)	(5,350)
	Total Canadian call options written (0.0%)	<u>(18,451)</u>	<u>(6,725)</u>
Face value	Priority Equity Portfolio Protection Plan securities		
13,400,000	Hydro Quebec coupon July 15, 2014	10,919,757	11,160,056
5,000,000	Ontario Provincial coupon December 2, 2014	3,980,160	4,099,650
5,800,000	Ontario Hydro coupon February 6, 2014	4,846,793	4,961,610
6,100,000	Ontario Hydro coupon October 17, 2014	4,935,904	5,041,589
2,705,000	Ontario Provincial coupon July 13, 2014	2,183,610	2,265,248
7,615,000	Ontario Provincial coupon June 2, 2014	6,188,146	6,430,411
3,000,000	Quebec Provincial coupon June 1, 2014	2,476,716	2,520,570
22,000,000	Quebec Provincial coupon March 21, 2014	17,965,566	18,637,080
	Total Permitted Repayment securities (80.2%)	<u>53,496,652</u>	<u>55,116,214</u>
		<u>68,175,710</u>	<u>68,754,945</u>
	less adjustment for transaction costs	(8,179)	
	Total Investments (100%)	<u>68,167,531</u>	<u>68,754,945</u>

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

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

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 8,041,975 Priority Equity shares outstanding as at May 31, 2009 with a principal repayment of \$10 per Priority Equity share for a total of \$80,419,750 due on the termination date, December 1, 2014. As at May 31, 2009, the Company has net assets equivalent to \$8.96 per Priority Equity share for a total of \$72,020,068. This represents a deficiency as at May 31, 2009 of \$1.04 per Priority Equity share for a total deficiency of \$8,399,682. 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 SIX MONTH PERIOD ENDED **MAY 31, 2009 AND 2008 (UNAUDITED)**

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 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

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) per unit	Difference	Net Asset Value (Published NAV) per unit
May 31, 2009	\$8.96	-	\$8.96
May 31, 2008	\$12.61	\$0.01	\$12.62

COMMERCE SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)

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 May 31, 2009 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.

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 and potentially different presentation of shareholder interests and other items in the financial statements of the Company.

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2009 AND 2008 (UNAUDITED)**

Amendment to Section 3862- Financial Instruments Disclosure

In March 2009, the International Accounting Standards Board issued amendments to IFRS 7, Financial Instruments: Disclosures ("IFRS 7") intended to improve disclosures about fair value and liquidity risk. The Canadian Accounting Standards Board announced in its March 25-26 Decision Summary that it will adopt the amendments into Canadian generally accepted accounting principles ("GAAP") section 3862, Financial Instruments-Disclosures ("Section 3862"). The amendments apply to fiscal years ending after September 30, 2009, under Canadian GAAP. The new disclosures required by Section 3862 are intended to provide users additional information about how an entity determined fair values and how much of those fair values are derived through estimation rather than objective evidence.

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

The Company's core holding of CIBC common stock has been significantly reduced as a result of the implementation of the Priority Equity Protection Plan. As at May 31, 2009, the Company's exposure to CIBC common shares has been reduced to 18.9% of the net assets of the Company.

A 10% increase /decrease in CIBC common stock would currently increase/decrease net assets by \$1,363,873.

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 May 31, 2009, approximately 76.5% 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 \$2,755,811.

Currency risk

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

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2009 AND 2008 (UNAUDITED)**

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 be satisfied through the sales of its portfolio holding. The Company receives adequate notice for all redemption requests.

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>	May 31, 2009	May 31, 2009
8,041,975 Priority Equity shares (2008-8,667,200)	80,419,750	\$86,672,000
less reduction in value of Priority Equity shares	<u>(8,399,682)</u>	<u>-</u>
	\$72,020,068	\$86,672,000

Priority Equity share transactions

Beginning of period	8,471,575	8,667,200
Redemptions during the period	<u>(429,600)</u>	<u>-</u>
End of period	8,041,975	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.

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 \$7.26 as at May 31, 2009 (\$8.70 - 2008). 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

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2009** AND **2008** (UNAUDITED)

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 sharesAuthorized

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

Issued and outstanding

8,041,975 Class A shares (2008 - 8,710,000)
1,000 Class B shares

	May 31, 2009	May 31, 2008
	\$72,777,448	\$78,434,734
	\$1,000	\$1,000
	<u>\$72,778,448</u>	<u>\$78,435,734</u>

Class A share transactions

Beginning of period	8,471,575	8,667,200
Redemptions during the period	<u>(429,600)</u>	<u>-</u>
End of period	8,041,975	8,667,200

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 \$1.20 as at May 31, 2009 (\$3.87 - 2008). 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.

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).

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.

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIOD ENDED **MAY 31, 2009 AND 2008 (UNAUDITED)**

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 \$235,163 (\$367,320 - 2008) 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 \$29,819 (\$67,686 - 2008).

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:

	May 31, 2009	May 31, 2008
Priority Equity shares	\$0.0875	\$0.2625
Class A shares	-	\$0.15

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.

COMMERCE SPLIT CORP.**NOTES TO FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIOD ENDED MAY 31, 2009 AND 2008 (UNAUDITED)**

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.

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

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