

Commerce Split Corp.

Preferred Shares (TSX: XCM.PR.A)

Initial Public Offering:	February 2007
Total Issue Size:	\$174.2 million
Current Preferred Shares:	8.7 million (Dec 31/07)
Par Value:	\$10
Yield:	5.25%
Dividends:	\$0.04375 monthly
Redemption:	December 1, 2014
Cumulative:	Yes
Callable:	No
Tax Treatments:	Canadian Dividend
Use of Proceeds:	Common Shares of CIBC

Commerce Split completed an initial public offering of \$174.2 million of February 16, 2007. The company issued an equal number of Preferred shares (Priority Equity) and Capital shares (Class A). The downside protection is enhanced by a Portfolio Protection Plan (see below) that is intended to ensure Preferred asset coverage of at least 125% at all times.

The dividends received on the shares of CIBC held by Commerce Split are expected to cover the dividend requirements of the Preferred shares. The company also has the ability to provide additional dividend coverage by engaging in the sale of call options on some of the shares of CIBC held by the company.

The shares are non-callable by the company. If required to effect redemptions of Capital shares, the company will be forced to repurchase an equal number of Preferred shares in the open market.

Portfolio Protection Plan

Commerce Split has a Portfolio Protection Plan intended to ensure full principal repayment of the Preferred share par value regardless of the performance of its shares of CIBC.

If coverage falls below 125%, management would sell **a limited portion** of the underlying common shares and put the proceeds aside into cash / cash equivalents or a forward agreement. The entire portfolio would **not** be liquidated. The number of shares sold would be limited to the portion required to maintain the asset coverage ratio at 125% (excluding amounts already set aside).

Should the underlying common shares of the portfolio continue to decline, management would sell more common stock and add to the forward accordingly, keeping asset coverage at 125% for the Preferred.

On the other hand, if the underlying common stock appreciates, the asset coverage would grow therefore management would unwind the forward as appropriate and invest the proceeds back into common shares.

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