
**First Asset
CanBanc Split Corp.**

Annual Financial Statements
for the year ended December 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of First Asset CanBanc Split Corp. (the “Fund”) are the responsibility of First Asset Investment Management Inc., the Manager of the Fund. They have been prepared in accordance with Canadian generally accepted accounting principles using information available to March 25, 2010 and management’s best estimates and judgments.

The Fund’s Manager is responsible for the information and representations contained in these Annual Financial Statements and the Annual Management Report of Fund Performance. The Manager is also responsible for the selection of the accounting principles that are most appropriate for the Fund’s circumstances and for the judgments and estimates made in the financial statements. The Manager maintains appropriate processes to ensure that accurate, relevant and reliable financial information is produced.

The Fund’s Board of Directors (the “Board”) is responsible for ensuring that the Manager fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. These financial statements have been approved by the Board and have been audited by Ernst & Young LLP, Chartered Accountants, on behalf of the shareholders. The auditors’ report outlines the scope of their audit and their opinion on the financial statements.



Barry Gordon
DIRECTOR
MARCH 25, 2010.



Paul Dinelle
DIRECTOR
MARCH 25, 2010.

AUDITORS' REPORT

To the Shareholders of **First Asset CanBanc Split Corp.**,

We have audited the statements of net assets of First Asset CanBanc Split Corp. (the "Fund") as at December 31, 2009 and 2008, the statements of investment operations and retained earnings (deficit), the statements of cash flows and the statements of changes in shareholders' equity for the year ended December 31, 2009 and for the period from September 5, 2008 to December 31, 2008 and the schedule of investments as at December 31, 2009. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Fund as at December 31, 2009 and 2008, the results of its investment operations and retained earnings (deficit), the changes in its shareholders' equity and its cash flow for the year ended December 31, 2009 and for the period from September 5, 2008 to December 31, 2008 and its schedule of investments as at December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO, CANADA,
MARCH 25, 2010.

**FIRST ASSET CANBANC SPLIT CORP.
STATEMENTS OF NET ASSETS**

As at December 31	2009 \$	2008 \$
ASSETS		
Investment portfolio, at fair value	41,216,333	27,740,906
Cash and cash equivalents	112,456	43,716
Interest receivable	–	10,791
Dividends receivable	228,139	172,108
Note receivable [note 3]	1,698,797	2,084,000
Prepaid expenses	11,547	13,779
	43,267,272	30,065,300
LIABILITIES		
Accounts payable and accrued liabilities	76,958	54,511
Payable for shares purchased	7,633	–
Distributions payable [note 9]	199,446	116,582
Preferred Shares [note 7]	12,273,580	13,200,000
	12,557,617	13,371,093
	30,709,655	16,694,207
CAPITAL SHAREHOLDERS' EQUITY		
Class A Shares [note 7]	18,368,095	19,800,000
Class J Shares [note 7]	100	100
Share issue costs [note 3]	(142,043)	–
Retained earnings (deficit)	12,483,503	(3,105,893)
	30,709,655	16,694,207
Number of units outstanding [note 7]	1,227,358	1,320,000
Net Assets per Class A Share [note 4]	\$25.02	\$12.65
Redemption value per Preferred Share [note 7]	\$10.00	\$10.00
Net Assets per unit [note 4]	\$35.02	\$22.65

See accompanying notes

On behalf of the Board of Directors:



DIRECTOR
MARCH 25, 2010.



DIRECTOR
MARCH 25, 2010.

FIRST ASSET CANBANC SPLIT CORP.
STATEMENTS OF INVESTMENT OPERATIONS
AND RETAINED EARNINGS (DEFICIT)

	Year ended December 31, 2009 \$	Period from September 5 to December 31, 2008 \$
INVESTMENT INCOME		
Dividends	1,898,470	172,108
Interest	48,213	31,091
	1,946,683	203,199
EXPENSES		
Management fees <i>[note 8]</i>	562,486	62,082
Securityholder reporting costs	86,645	22,276
Custodial fees	47,314	8,323
Goods and Services Tax	37,521	6,023
Audit fees	30,000	27,875
Legal fees	29,777	5,000
Directors' fees	15,583	1,875
Independent review committee fees	5,225	1,200
Other administrative expense	313	-
	814,864	134,654
Net investment income before the undernoted:	1,131,819	68,545
Interest paid on Preferred Shares <i>[note 9]</i>	(828,024)	(116,582)
Net realized gain (loss) on sale of investments <i>[note 11]</i>	561,276	(21,032)
Transaction costs <i>[note 8]</i>	(1,323)	(22,675)
Loss on redemption of Preferred Shares	(113,638)	-
Change in unrealized appreciation (depreciation) of investments	15,317,956	(3,014,149)
Results of investment operations for the period	16,068,066	(3,105,893)
Results of investment operations per Class A Share	\$ 12.6127	\$ (2.3529)
Deficit, beginning of period	(3,105,893)	-
Results of investment operations for the period	16,068,066	(3,105,893)
Dividends paid on Class A Shares <i>[note 9]</i>	(478,670)	-
Retained earnings (deficit), end of period	12,483,503	(3,105,893)

See accompanying notes

**FIRST ASSET CANBANC SPLIT CORP.
STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY**

	Year ended December 31, 2009 \$	Period from September 5 to December 31, 2008 \$
Shareholders' equity, beginning of period	16,694,207	-
Operations		
Increase (decrease) in investment operations	16,068,066	(3,105,893)
Shareholder transactions		
Proceeds from issuance of Class A Shares <i>[note 7]</i>	-	19,800,000
Proceeds from issuance of Class J Shares <i>[note 7]</i>	-	100
Agents' fees and expenses of issue <i>[note 3]</i>	(73,201)	(2,084,000)
Issue of Note receivable <i>[note 3]</i>	73,201	2,084,000
Purchase of Class A Shares for cancellation <i>[note 7]</i>	(1,081,865)	-
Redemption of Class A Shares <i>[note 7]</i>	(350,040)	-
Reduction of Note receivable <i>[note 3]</i>	(142,043)	-
	(1,573,948)	19,800,100
Distribution to Class A Shareholders <i>[note 9]</i>		
Dividends paid on Class A Shares	(478,670)	-
Net increase in shareholders' equity	14,015,448	16,694,207
Shareholders' equity, end of period	30,709,655	16,694,207

See accompanying notes

FIRST ASSET CANBANC SPLIT CORP.
STATEMENTS OF CASH FLOW

	Year ended December 31, 2009 \$	Period from September 5 to December 31, 2008 \$
OPERATING ACTIVITIES		
Net investment income	1,131,819	68,545
Adjustments to Reconcile Cash Flows from (used in) Operating Activities		
Proceeds from sale of investment portfolio	2,403,805	100,006
Purchase of investment portfolio	-	(30,876,093)
Transaction costs	(1,323)	(22,675)
Dividends paid on Preferred Shares	(745,160)	-
Change in other assets and liabilities	(14,875)	(147,853)
Cash flows from (used in) operating activities	2,774,266	(30,878,070)
FINANCING ACTIVITIES		
Issuance of Preferred Shares	-	13,200,000
Issuance of Class A Shares	-	19,800,000
Issuance of Class J Shares	-	100
Agents' fees and expenses of issue	(78,887)	(2,078,314)
Redemption and purchase for cancellation of Preferred Shares	(926,420)	-
Redemption and purchase for cancellation of Class A Shares	(1,537,911)	-
Dividends paid on Class A Shares	(478,670)	-
Principle payment from Note receivable	316,362	-
Cash flows from (used in) financing activities	(2,705,527)	30,921,786
Net increase in cash and cash equivalents during the period	68,740	43,716
Cash and cash equivalents, beginning of period	43,716	-
Cash and cash equivalents, end of period	112,456	43,716

See accompanying notes

FIRST ASSET CANBANC SPLIT CORP.
SCHEDULE OF INVESTMENTS

As at December 31, 2009

Number of shares	Description	Average Cost \$	Fair Value \$	% of Portfolio
EQUITIES				
127,355	Bank of Montreal	4,765,574	7,102,588	
101,778	Canadian Imperial Bank of Commerce	4,820,408	6,936,171	
112,079	National Bank of Canada	4,615,935	6,720,257	
118,614	Royal Bank of Canada	4,845,139	6,683,899	
143,068	The Bank of Nova Scotia	4,997,627	7,037,515	
102,152	The Toronto-Dominion Bank	4,888,981	6,735,903	
Total Equities		28,933,664	41,216,333	100.00%
Adjustment for transaction costs		(21,138)	-	
Total Investments		28,912,526	41,216,333	100.00%

See accompanying notes

FIRST ASSET CANBANC SPLIT CORP.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. INCORPORATION

First Asset CanBanc Split Corp. (the “Fund”), incorporated under the laws of Ontario on September 5, 2008, is a mutual fund corporation whose investment portfolio consists of common shares of the six largest Canadian Banks (the “Portfolio”).

On November 12, 2008, the Fund completed an initial public offering of 1,320,000 Preferred Shares and 1,320,000 Class A Shares for gross proceeds of \$13,200,000 in respect of the Preferred Shares and \$19,800,000 in respect of the Class A Shares.

The Manager of the Fund is First Asset Investment Management Inc. (the “Manager”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Adoption of new accounting standards

On January 1, 2009, the Fund adopted EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, issued by the CICA’s Emerging Issues Committee. The abstract requires that an entity’s own credit risk and the risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities. The abstract did not affect the Fund’s financial position or results of operations.

On January 1, 2009, the Fund adopted the amendments to CICA 3862, *Financial Instruments – Disclosures*. CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund’s investments. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Fund’s determination of assumptions that market participants might reasonably use in valuing the securities.

Investments

Investments in publicly traded securities are categorized as held for trading and valued at fair value which means the latest bid price. The difference between bid prices and average cost, as recorded in the accounts, is reported as part of the Statements of Investment Operations as unrealized appreciation (depreciation) of investments. Average cost is used to determine the gain or loss on investments sold. Investment transactions are recorded on the trade date.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a term to maturity of less than three months from date of purchase. Cash and cash equivalents are categorized as held for trading and therefore are carried at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Income recognition

The accrual method of recording income and expenses is followed with dividend income being recorded on the ex-dividend date.

Transaction costs

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are recognized in the Statements of Investment Operations.

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

Results of investment operations per Class A Share

The results of investment operations per Class A Share in the Statements of Investment Operations represent the results of investment operations during the period, divided by the average number of Class A Shares outstanding during the period.

Net Assets per unit

The Net Assets per unit is calculated as net assets at fair value divided by the number of units outstanding of the Fund. The Preferred Shares are not treated as liabilities for this purpose. A unit is a notional unit comprising of one Preferred Share and one Class A Share.

Preferred Shares

The Preferred Shares are carried at redemption value and are presented as liabilities in the Statements of Net Assets. The fair value of the Preferred Shares, which is based on the Toronto Stock Exchange (“TSX”) market price on December 31, 2009, was \$16,053,843 (2008 - \$11,880,000).

Other assets and liabilities

Interest receivable and dividends receivable are designated as loans and receivables are recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, payable for shares purchased and distributions payable are designated as other liabilities and recorded at cost or amortized cost. Other assets and liabilities are short-term in nature and amortized cost approximates fair value.

The Note receivable is recorded at amortized cost. The fair value of the Note receivable approximates its carrying value as the amount bears interest from the date of issue at the prime rate of interest.

3. NOTE RECEIVABLE

The Manager has agreed to reimburse the Fund for the expenses of the initial public offering which amounted to \$2,157,201 and consist of agents’ fees and other offering expenses. The obligation is evidenced by a Note which was issued on closing, November 12, 2008 and amended on July 13, 2009. The repayment is made in quarterly installments equal to one quarter of 1.00% of the Fund’s net asset value over a period of seven years beginning on March 31, 2009 and ending on January 15, 2016 (the “Due Date”). The Note bears interest from the date of issue at the prime rate of interest. The Note will be reduced proportionately if Preferred Shares and Class A Shares are purchased for cancellation by the Fund, redeemed or retracted. During fiscal 2009, the Note was reduced by \$142,043. If any units remain outstanding on the Due Date, then the balance of the principal amount remaining outstanding on the Due Date, if any, shall be repaid on the Due Date.

4. NET ASSET VALUE

For financial statement reporting purposes, the fair value of the Fund’s investments are measured in accordance with CICA Handbook Section 3855: *Financial Instruments – Recognition and Measurement*, which for publicly listed securities is based on the closing bid price on the recognized stock exchange on which the investments are listed or principally traded. Pursuant to National Instrument 81-106 *Investment Fund Continuous Disclosure (“NI 81-106”)*, investment funds are required to calculate their net asset value in accordance with Canadian GAAP. The Canadian securities regulatory authorities have published amendments to NI 81-106 that remove the requirement that net asset value for redemptions and subscriptions (“Net Asset Value”) be calculated in accordance with Canadian GAAP effective September 8, 2008. As a result of the amendments, the Net Asset Value of investment funds will continue to be calculated based on the fair value of investments using the close or last trade price. The Net Assets per unit for financial reporting purposes and Net Asset Value per unit for pricing purposes could be different due to the use of different valuation techniques. The Net Asset Value per unit calculated using the close or last traded price at December 31 is as follows and the difference between the Canadian GAAP Net Assets and Net Asset Value is on account of the use of the last bid price for the valuation of investments for Canadian GAAP.

	2009	2008
Net Asset Value per unit	\$35.06	\$22.69

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the fair value of financial instruments as at December 31, 2009, analyzed between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial assets				
Common stocks	41,216,333	-	-	41,216,333
	41,216,333	-	-	41,216,333
Financial liabilities				
Preferred Shares (<i>Note 2 disclosure</i>)	-	16,053,843	-	16,053,843
	-	16,053,843	-	16,053,843

6. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio advisers, by monitoring daily the Fund's positions and market events and by diversifying the investment portfolio within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

As at December 31, 2009, the Fund has credit risk associated with the repayment of the principal value of the Note receivable and the interest thereon by the Manager. The Fund monitors its credit risk management policies continuously to evaluate their effectiveness and feels that the credit worthiness of the Manager is satisfactory at this time. The Fund is ranked equally among all other creditors of the Manager. The carrying amounts for interest receivable and dividend receivable represent minimal credit risk exposure as they will be settled in the short term.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery 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 a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price. As at December 31, 2009, the Fund's investment holdings are considered readily realizable as they are actively traded on public exchanges. As well, the Fund's financial liabilities are short-term in nature and there is sufficient cash, or the ability to raise cash, to settle these amounts as they come due.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

The Fund holds an interest-bearing Note receivable. As such, the Fund is exposed to the risk that the value of this financial instrument will fluctuate due to changes in the prevailing levels of market interest rates. Since the Note bears interest at the prime rate of interest, there is minimal exposure to interest rate risk.

Currency risk

Currency risk is the risk that the value of investments which are denominated in a currency other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates. The Fund invests primarily in Canadian dollar securities, which represents the functional currency of the Fund. As at December 31, 2009, the Fund had no exposure to foreign currencies and consequently did not have any exposure to currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The maximum market price risk resulting from these investments is equivalent to their fair value. The value of the portfolio will be influenced by factors which are not within the control of the Fund including the financial performance of the portfolio issuers, the condition of the equity markets generally and other factors. Market price risk is mitigated through the careful selection of portfolio securities within the limits of the Fund's investment objectives and strategy as well as the daily monitoring of the Fund's investment portfolio by the Manager.

By utilizing a split share structure, holders of the Class A Shares receive leveraged exposure such that any capital appreciation or depreciation of the portfolio securities will be borne by the Class A Shares. Accordingly, any increase or decrease in the value of the portfolio securities will result in a greater proportionate increase or decrease in the Net Assets of the Class A Shares.

As at December 31, 2009, 95.9% of the Fund's net assets were traded on global stock exchanges. The impact on net assets of the Fund due to a 10% change in the S&P/TSX Capped Financial Index (the "benchmark"), using a historical correlation between the return of the Fund's units as compared to the return of the benchmark, as at December 31, 2009, with all other variables held constant, would be an increase or decrease of \$3,910,456 (2008 – \$2,618,486) respectively. Regression analysis has been utilized to estimate the historical correlation. The analysis uses daily data points for the current period, from November 12, 2008 to December 31, 2009. The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different.

7. SHARE CAPITAL

The Fund is authorized to issue an unlimited number of Preferred Shares, Class A Shares and Class J Shares. The Fund issued 100 Class J Shares for a cash consideration of \$100.

A unit represents one Class A Share and one Preferred Share. The issued and outstanding units as at December 31, 2009 consists of 1,227,358 Class A Shares and 1,227,358 Preferred Shares. The Fund will ensure that an equal number of Class A Shares and Preferred Shares continue to be outstanding.

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

A summary of the Fund's issued and outstanding share capital is as follows:

	Class J Shares	Number of Class A Shares	Class A Shares	Number of Preferred Shares	Preferred Shares
Issuance of units on November 12, 2008	\$100	1,320,000	\$19,800,000	1,320,000	\$13,200,000
Outstanding on December 31, 2008	\$100	1,320,000	\$19,800,000	1,320,000	\$13,200,000
Purchase of units for cancellation	–	(72,600)	(\$1,081,865)	(89,900)	(\$899,000)
Redemption of units	–	(20,042)	(\$350,040)	(2,742)	(\$27,420)
Outstanding on December 31, 2009	\$100	1,227,358	\$18,368,095	1,227,358	\$12,273,580

Under its normal course issuer bid which will expire on January 4, 2011, the Fund has the ability to repurchase Preferred Shares and Class A Shares up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, Preferred Shares and Class A Shares will be repurchased at their market price, through the facilities of the TSX, and then cancelled.

The Fund has purchased and cancelled a total of 89,900 Preferred Shares (2008 – nil Preferred Shares) and 72,600 Class A Shares (2008 – nil Class A Shares) at an average price of \$11.30 per Preferred Share (2008 – nil per Preferred Share) and \$14.90 per Class A Share (2008 – nil per Class A Share) for year ending December 31, 2009.

A Unit represents one Class A Share and one Preferred Share. The issued and outstanding Units as at December 31, 2009 consist of 1,227,358 Class A Shares and an equal number of Preferred Shares. The Fund will ensure that an equal number of Capital Shares and Preferred Shares continue to be outstanding.

Preferred Shares

Holders of Preferred Shares are entitled to receive fixed, cumulative preferential quarterly cash distributions of \$0.1625 per Preferred Share or 6.5% per annum based on the \$10 original issue price of a Preferred Share. Such quarterly distributions are paid on or before the 15th business day in the month following the end of the period in respect of which the distribution is payable.

The Preferred Shares will be redeemed by the Fund on January 15, 2016. The redemption price payable by the Fund for a Preferred Share on that date will be equal to the lesser of (i) \$10.00 plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the total number of Preferred Shares then outstanding. Preferred Shares may be surrendered at any time for retraction by the Fund and will be retracted on a monthly basis on the second last Business Day of each month.

Preferred Shares rank in priority to the Class A Shares and Class J Shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund.

Class A Shares

The Class A Shares will be redeemed by the Fund on January 15, 2016. The redemption price payable by the Fund for a Class A Share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date minus the sum of \$10.00 plus any accrued and unpaid distributions per share on the Preferred shares then outstanding, and (ii) nil. The Class A Shares may be surrendered at any time for retraction by the Fund and will be retracted only on the monthly basis on the second last business day of each month.

Class J Shares

The holders of Class J Shares are not entitled to receive dividends. The holders of the Class J shares will be entitled to one vote per share. The Class J Shares are redeemable and retractable at a price of \$1.00 per share.

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

8. EXPENSES OF THE FUND

The Manager is entitled to an annual fee of 1.50% based on the Net Asset Value of the Fund. This fee is calculated daily and payable monthly in arrears.

The Fund is responsible for all costs relating to its administration.

Total commissions and other transaction costs paid to dealers by the Fund for its portfolio transactions during the period amounted to \$1,323 (2008 - \$22,675). In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to the Manager. The value of research services included in commissions paid to dealers during the period is \$1,323 (2008 - \$4,511).

9. DISTRIBUTIONS

An objective of the Fund is to provide fixed, cumulative preferential quarterly cash distributions of \$0.1625 per share to holders of Preferred Shares, as and when declared, to yield 6.5% per annum on the original issue price of the Preferred Shares.

In the event that the Fund realizes capital gains, the Fund may, at its option, pay a special year-end dividend to holders of Class A Shares in the form of Class A Shares and/or cash. A special distribution of \$0.39 per Class A Share was paid to Class A shareholders of record on December 31, 2009.

The Fund will not pay cash distributions on the Class A Shares if after payment of the distribution the Net Asset Value per unit would be less than \$23.50.

10. INCOME TAXES

The Fund qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada). Mutual fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid by the Fund to its shareholders.

The Fund is subject to a special tax at the rate of 33 1/3% on taxable dividends received from taxable Canadian corporations. This tax is refundable to the Fund upon the payment of taxable dividends to its shareholders at the rate of \$1 of tax for every \$3 of dividends paid.

11. NET REALIZED GAIN (LOSS) ON SALE OF INVESTMENTS

The net realized gain (loss) on sale of investments for the periods ended December 31, 2009 is summarized as follows:

	2009 \$	2008 \$
Proceeds on sale of investments	2,403,805	100,006
Less cost of investments sold		
Investments, beginning of period	30,755,055	-
Investments purchased during the period	-	30,876,093
Investments, end of period	(28,912,526)	(30,755,055)
Cost of investments sold	1,842,529	121,038
Net realized gain (loss) on sale of investments	561,276	(21,032)

FIRST ASSET CANBANC SPLIT CORP.
NOTES TO FINANCIAL STATEMENTS continued

12. TAX LOSS CARRYFORWARD

As at December 31, 2009, the Fund had capital loss carryforwards for income tax purposes which may be carried forward indefinitely to be applied against future capital gains. The non-capital losses may be utilized to reduce taxable income of future years and expire in the year indicated.

Capital Losses	Non-Capital Losses	Expiration of Non-Capital Losses 2029
\$21,220	\$76,982	\$76,982

13. CAPITAL MANAGEMENT

The Fund considers its capital to consist of Class A, Class J and Preferred Shares.

The Fund's objectives in managing its capital with respect to the Preferred Shares are to provide Preferred Shareholders with fixed cumulative preferential quarterly cash distributions in the amount of \$0.1625 per Preferred Share (\$0.65 per annum representing an annual yield of 6.5% based on the original \$10 issue price of a Preferred Share) and to return the original issue price to Preferred Shareholders at the time of redemption of such shares on or about January 15, 2016.

The Fund's objectives in managing its capital with respect to the Class A Shares are to provide Class A Shareholders with the opportunity to participate in the performance of the Fund's portfolio on a leveraged basis and to benefit from any increase in the dividends from the securities in the Fund's portfolio.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 6 while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to securityholders.

14. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for all Canadian publicly accountable entities (including investment funds) for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Fund will adopt IFRS as the basis for preparing its financial statements. The Fund will issue its financial results for the semi-annual period ended June 30, 2011 prepared in accordance with IFRS and will also provide comparative data on an IFRS basis, including an opening statement of net assets as at January 1, 2010.

In order to meet the requirement to changeover to IFRS, the Fund is following an orderly transition plan. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences but has not currently identified any changes that will materially impact the Fund's reported results or Net Assets per unit as a result of the changeover to IFRS. The main impact of IFRS on accounting policies and implementation decisions is expected to relate to presentation and additional disclosures in the financial statements of the Fund, including the classification of unitholders' equity.

15. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period's presentation.