Financial Statements of

THE McELVAINE INVESTMENT TRUST

Year ended December 31, 2009

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of The McElvaine Investment Trust (the "Trust") have been prepared by the Manager, McElvaine Investment Management Ltd. The Manager is responsible for the preparation and presentation of the Trust's financial statements and for the development of internal controls over the financial reporting process.

The Manager is responsible for reviewing and approving the financial statements and for overseeing the Trust's financial reporting responsibilities. The Manager has approved the accompanying financial statements of the Trust.

KPMG LLP, the external auditors of the Trust, were appointed by the Manager. As explained in their auditors' report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors' report follows.

McElvaine Investment Management Ltd.

"Tim McElvaine"
Tim McElvaine, Director

January 22, 2010

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Unitholders of
The McElvaine Investment Trust

We have audited the statement of net assets and the schedule of investment portfolio of The McElvaine Investment Trust as at December 31, 2009, and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Trust's Manager. 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 the Manager, 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 Trust as at December 31, 2009 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
January 22, 2010

THE McELVAINE INVESTMENT TRUST

Statement of Net Assets

December 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Investment portfolio, at fair value	$ 65,393,561	$ 65,907,625
Cash and deposits	10,611,027	5,020,640
Subscriptions receivable	191,653	165,533
Distributions and interest receivable	84,493	185,908
	76,280,734	71,279,706
Liabilities		
Redemptions payable	1,125,781	3,177,149
Accounts payable and accrued liabilities	282,005	98,792
Due to brokers	14,670	-
	1,422,456	3,275,941
Net assets	$ 74,858,278	$ 68,003,765
Net assets by series:		
Series A	$ 57,095	$ -
Series B	73,579,957	66,929,391
Series F	127,680	119,940
Series X	1,093,546	954,434
Number of units outstanding (note 3):		
Series A	4,375	-
Series B	4,609,224	4,980,847
Series F	18,901	21,123
Series X	168,975	175,357
Net assets per unit (note 11):		
Series A	$ 13.05	$ -
Series B	15.96	13.44
Series F	6.76	5.68
Series X	6.47	5.44

See accompanying notes to financial statements.

Approved by the Manager
McElvaine Investment Management Ltd.

"Tim McElvaine"
Tim McElvaine, Director

THE McELVAINE INVESTMENT TRUST

Schedule of Investment Portfolio

December 31, 2009

	Number of shares/ par value	Cost	Fair value
Canada – Convertible Debentures (4.7%)			
TimberWest Forest Corp., 9%, Feb. 11, 2014	$ 2,739,363	$ 3,047,031	$ 3,533,778
Total Canadian convertible debentures		$ 3,047,031	$ 3,533,778
Canada - Equities (65.9%)			
Arbor Memorial Services	100,000	$ 905,000	$ 2,240,000
Caldwell Partners International Inc.	2,341,500	1,991,265	1,077,090
EGI Financial Holdings Inc.	600,000	4,905,375	6,606,000
Glacier Media Inc.	5,242,600	11,884,298	10,485,199
Indigo Books & Music Inc.	675,000	4,758,508	10,354,500
Maple Leaf Foods Inc.	300,000	3,039,390	3,480,000
PRT Forest Regeneration Income Fund	915,800	1,315,095	1,868,232
Rainmaker Entertainment Inc.	5,451,228	9,868,492	2,453,053
Sun Gro Horticulture Income Fund	400,000	1,167,450	1,532,000
Sun-Rype Products Ltd.	485,073	3,380,510	4,157,076
Swiss Water Decaffeinated Coffee Income Fund	515,600	1,557,112	1,825,224
TimberWest Forest Corp.	400,000	1,755,841	1,732,000
Village Farms Income Fund	2,008,183	4,140,019	1,465,974
Total Canadian equities		$ 50,668,355	$ 49,276,348
United States - Equities (9.2%)			
Adaptec Inc.	200,000	$ 627,675	$ 702,394
Arlington Asset Investment Corp.	250,000	4,580,829	3,983,729
FBR Capital Markets Corp.	112,565	451,492	726,926
HCC Insurance Holdings Inc.	50,000	1,420,121	1,466,117
Total United States securities		$ 7,080,117	$ 6,879,166
Foreign - Equities (4.2%)			
RHJ International	159,092	$ 1,238,994	$ 1,277,828
Yamaha Corp.	150,000	1,623,324	1,885,105
Total Foreign securities		$ 2,862,318	$ 3,162,933
Miscellaneous securities **(3.3%)**		$ 2,405,472	$ 2,447,595
Transaction costs (note 2(d))		$ (256,817)	$ -
Total securities **(87.3%)**		$ 65,806,476	$ 65,299,820
Forward foreign currency contracts (0.0%) (note 4)			
Net unrealized gain on forward foreign currency contracts			$ 93,741
Total investment portfolio at fair value, December 31, 2009 **(87.3%)**			$ 65,393,561
Other assets less liabilities **(12.7%)**			9,464,717
Net assets (100%)			$ 74,858,278

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Investment income:		
Dividends	$ 545,413	$ 726,418
Interest	367,594	166,499
Withholding tax	(23,066)	(42,506)
Other income	-	32,579
	889,941	882,990
Expenses:		
Performance incentive fee (note 5)	1,237	-
Management fee (note 6)	702,961	742,084
Trustee, custodial and legal fees	72,254	134,816
Audit and tax fees	48,666	30,084
Bank charges and interest	179	178
Goods and services tax	40,394	47,506
	865,691	954,668
Net investment income (loss)	$ 24,250	$ (71,678)
Net realized gains:		
Proceeds from sale of securities	$ 37,490,270	$ 46,993,802
Securities at cost, beginning of year	86,987,878	65,160,153
Cost of securities purchased during the year	25,693,082	66,799,784
	112,680,960	131,959,937
Securities at cost, end of year	(65,806,476)	(86,987,878)
Cost of securities sold	46,874,484	44,972,059
Gain (loss) on sale of securities	(9,384,214)	2,021,743
Foreign exchange	(80,790)	(328,781)
Forward foreign currency contracts	1,196,300	(1,303,199)
Transaction costs (note 2(d))	(264,200)	(380,778)
	(8,532,904)	8,985
Change in net unrealized appreciation (depreciation) of:		
Securities	20,575,481	(45,850,152)
Forward foreign currency contracts	84,665	9,076
	20,660,146	(45,841,076)
Net gain (loss) from investing activities	12,127,242	(45,832,091)
Income (loss) from operations	$ 12,151,492	$(45,903,769)
Income (loss) from operations by series:		
Series A	$ 7,371	$ -
Series B	11,950,182	(44,998,799)
Series F	19,764	(77,718)
Series X	174,175	(827,252)
Income (loss) from operations per unit (note 2(h)):		
Series A	$ 2.44	$ -
Series B	2.44	(12.44)
Series F	0.99	(4.95)
Series X	1.01	(5.21)

See accompanying notes to financial statements.

THE McELVAINE INVESTMENT TRUST

Statement of Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	Series A	Series B	Series F	Series X	Total
Net assets, December 31, 2007	$ -	$ 91,728,343	$ -	$ -	$ 91,728,343
Loss from operations	-	(44,998,799)	(77,718)	(827,252)	(45,903,769)
Unit transactions (note 3):					
Issued for cash	-	15,180,154	246,641	1,965,149	17,391,944
Issued to McElvaine Value Fund Ltd. for securities	-	32,759,686	-	-	32,759,686
Redeemed	-	(27,739,993)	(48,983)	(183,463)	(27,972,439)
	-	20,199,847	197,658	1,781,686	22,179,191
Increase (decrease) in net assets	-	(24,798,952)	119,940	954,434	(23,724,578)
Net assets, December 31, 2008	-	66,929,391	119,940	954,434	68,003,765
Income from operations	7,371	11,950,182	19,764	174,175	12,151,492
Unit transactions (note 3):					
Issued for cash	49,724	16,957,079	24,019	6,638	17,037,460
Redeemed	-	(22,256,695)	(36,043)	(41,701)	(22,334,439)
	49,724	(5,299,616)	(12,024)	(35,063)	(5,320,998)
Increase (decrease) in net assets	57,095	6,650,566	7,740	139,112	6,854,513
Net assets, December 31, 2009	$ 57,095	$ 73,579,957	$ 127,680	$ 1,093,546	$ 74,858,278

See accompanying notes to financial statements.

1. Organization:

The McElvaine Investment Trust (the "Trust") is an unincorporated unit trust governed by the laws of British Columbia, which was formed pursuant to a Declaration of Trust dated September 27, 1996, as amended May 15, 2002 and January 1, 2008 (the "Trust Agreement"), between McElvaine Investment Management Ltd. and RBC Dexia Investor Services Trust (the "Trustee"). The Trust is managed by McElvaine Investment Management Ltd. (the "Manager" or "Investment Counsel"), which also provides investment counselling services.

Investment capital is contributed to the Trust through the purchase of Series A, B or F units at a value established on a monthly basis (note 10).

2. Significant accounting policies:

The financial statements of the Trust are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are described below.

(a) New accounting standards:

Effective on January 1, 2009, the Trust adopted the recent amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, *Financial Instruments – Disclosures* ("S3862"), which establishes a fair value hierarchy that categorizes the inputs used to calculate a financial instrument's fair value. The hierarchy contains three "levels" of fair value inputs as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1)
- Inputs other than quoted prices in active markets included in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(b) Valuation of series:

Net assets are calculated monthly for each series of units. Net assets of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Trust common to all series plus net assets of the Trust attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately based upon the relative net assets of each series. Expenses are accrued monthly.

2. Significant accounting policies (continued):

(c) Investments:

Investments are stated at period-end fair values, which are generally determined based on closing bid prices reported either by appropriate securities exchanges or in the over-the-counter market ("net assets"). In respect of any securities for which the closing bid price is not considered to be representative of fair value, such securities will be valued at their fair value as determined by the Trustee, in consultation with the Manager, on the basis of the latest reported information available.

The Trust calculates net asset value for unit sales and redemption pricing purposes ("NAV") on a basis consistent with the investment funds industry, in accordance with Rules and Policies issued by the Canadian Securities Administrators (the "CSA"). A reconciliation between net assets and NAV at the period end is disclosed in note 10.

Average cost is used to compute realized gains and losses on investments.

(d) Transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities by the Trust, are charged to income (loss) from operations in the period incurred, as separately disclosed in the statement of operations.

(e) Foreign exchange:

Purchases and sales of foreign securities and the related income and gains (losses) are translated into Canadian dollars at the rate of exchange prevailing at the date of the respective transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the close of each business day. Realized gains and losses and the change in unrealized gains and losses on foreign currency transactions, including the purchase and sale of forward contracts, are included in the statements of operations.

(f) Forward foreign currency contracts:

The Trust may enter into forward foreign currency contracts, the purpose of which is to provide an economic hedge against exposure to foreign currency fluctuations. The carrying value of these forward contracts, which is recorded in the schedule of investments portfolio, is the gain or loss that would be realized if, on valuation day, the positions were closed out. For financial statement purposes this value is recorded as an unrealized gain or loss in the statements of operations. When the contracts are closed or expire, gains and losses are included in realized gains and losses in the statements of operations.

Gains and losses arise due to changes in the value of the foreign currency in relation to the Canadian dollar. Losses may also occur if the counterparty does not perform under the contract.

2. Significant accounting policies (continued):

(g) Income and expenses:

The accrual method of recording income and expenses is followed by the Trust, with dividends recorded as receivable on the ex-dividend date of the related shares. Distributions received from income or royalty trusts are recorded as income, capital gain or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income and royalty trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment and are included as a reduction of the "cost of securities purchased during the year" in the statement of operations.

Investment income, net realized gains (losses) and change in net unrealized appreciation (depreciation) of securities are allocated among series of units based on each series' proportionate share of the net assets of the Trust.

(h) Per unit values:

Per unit amounts for each series of the Trust are calculated as follows:

Net assets per unit	On the number of units outstanding at the period-end with investments valued using closing bid prices
Net asset value ("NAV ") per unit	On the number of units outstanding at the period-end with investments valued using either the last sale price or the midpoint between closing bid and ask quotations
Income (loss) from operations	On the monthly weighted average number of units outstanding during the period

(i) Use of estimates:

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reporting year. Actual results could differ from those estimates.

3. Unitholders' equity:

Pursuant to the Trust Agreement which was amended and restated as of January 1, 2008, the Trust is authorized to issue an unlimited number of units in three distinct series of units as follows:

Series A units were first made available for sale on February 26, 2009 and are available to all investors. May be subject to a fee if redeemed early. Dealers may charge a commission or fee of up to 2% of the total purchase. May be redesignated by the unitholder as Series F.

Series B units are available only from the Manager. May qualify for redesignation by the unitholder as Series A or F. Effective January 1, 2008, all then outstanding units of the Trust were designated as Series B units.

Series F units are available to investors having fee-based accounts with a qualifying dealer and to qualifying groups of investors. May qualify for redesignation by the unitholder as Series A.

Prior to February 26, 2009, Series X units were designated as "Series A units". As of that date, Series X units are no longer offered for sale to the public.

Redemptions may only occur on the last business day of every month, with appropriate notice, and may be restricted in certain circumstances in accordance with the Trust Agreement.

Continuity of the number of issued units is summarized as follows:

	2009	2008
Series A:		
Balance, beginning of year	-	-
Issued for cash	4,375	-
Redeemed	-	-
Balance, end of year	4,375	-
Series B:		
Balance, beginning of year	4,980,847	3,486,016
Issued for cash	1,346,684	1,096,933
Issued to the McElvaine Value Fund Ltd.		
For securities	-	2,170,002
Redeemed	(1,718,307)	(1,772,104)
Balance, end of year	4,609,224	4,980,847
Series F:		
Balance, beginning of year	21,123	-
Issued for cash	3,510	26,846
Redeemed	(5,732)	(5,723)
Balance, end of year	18,901	21,123
Series X:		
Balance, beginning of year	175,357	-
Issued for cash	1,211	207,622
Redeemed	(7,593)	(32,265)
Balance, end of year	168,975	175,357

4. Forward foreign currency contracts:

At December 31, 2009, the Trust had the following outstanding contracts to sell Japanese Yen and receive Canadian dollars:

Contract value at inception	Contract value at inception	Contract value at December 31	Settlement date		
YEN133,744,000	CAD1,599,966	CAD1,506,225	January 20, 2010	$	93,741
Net unrealized gain				$	93,741

5. Performance incentive fee:

Effective January 1, 2008 (February 26, 2009 for Series A), the Trust will pay the Investment Counsel an incentive fee for its services as portfolio advisor at a rate of 20% (the "Incentive Fee Rate") of:

For Series A, payable annually on any increase in the Series A NAV during the fiscal year (adjusted for contributions and redemptions of Series A units and for any shortfall, as described below) in excess of a 12% return (the "Series A Hurdle Rate").

For Series B and F, payable annually on any increase in the respective series NAV during the fiscal year (adjusted for contributions and redemptions of the respective series units and for any shortfall, as described below) in excess of a 6% return (the "Series B and F Hurdle Rate").

If in any fiscal year the increase in the respective series NAV is less than the respective Series A Hurdle Rate or Series B and F Hurdle Rate (a shortfall), the respective difference will be carried forward to the next fiscal year and, after adjustment for redemptions, deducted in the fee calculation from any increase in the NAV of the respective series of the Trust for that year.

For Series X, payable quarterly on any increase in the Series X NAV during a calendar quarter (adjusted for contributions, redemptions and distributions on Series X units), but no fee is payable unless the Series X NAV at the end of the calendar quarter is greater than the highest quarter-end Series X NAV previously achieved by the Trust.

The performance incentive fee, if any, is estimated and accrued monthly during a fiscal year for the purpose of calculating the net asset value per unit at the end of each month, but is paid to the Investment Counsel annually within one month of the fiscal year-end of the Trust in either cash or units, at the discretion of the Investment Counsel.

An incentive fee of $1,237 is payable in respect of Series A of the Trust for the year ending December 31, 2009. Series A was first offered during 2009.

5. Performance incentive fee (continued):

The adjusted shortfall carried forward in respect of each of Series B and F of the Trust at December 31, 2009 and December 31, 2008 was as follows:

	December 31, 2009	December 31, 2008
Series B	$ 45,015,566	$ 55,379,101
Series F	64,879	90,106

The shortfall carried forward in respect of Series B includes shortfall transferred to the Trust in respect of units issued to investors who redeemed shares of McElvaine Value Fund Ltd and used the proceeds to subscribe for Series B units of the Trust.

No incentive fee was paid in respect of Series X of the Trust during the years ended December 31, 2009 or 2008 as the Series X NAV did not exceed the highest quarter-end Series X NAV previously achieved by the Trust.

6. Management fee:

The Trust pays a monthly fee to the Manager for management and administration services rendered, based on the NAV of the respective series (prior to the calculation of any performance incentive fee (note 5)) on the last business day of the preceding month. Effective January 1, 2008 (February 26, 2009 for Series A), the monthly fee payable to the Manager is based upon the following rates:

Series A 1/12 of 2.0% per annum

Series B 1/12 of 1.0% per annum

Series F 1/12 of 1.0% per annum

Series X 1/12 of 1.2% per annum

7. Financial instruments:

The Trust may be exposed to a variety of financial risks. The Trust's exposures to financial risks are concentrated in its investment holdings, including derivative instruments. The Schedule of Investment Portfolio groups securities by asset type, geographic region and/or market segment. The Manager manages the potential effects of these financial risks on the Trust's performance by overseeing and regularly monitoring the Trust's position and market events, and diversifies the investment portfolio within the constraints of the investment guidelines. The fundamental investment objective of the Trust is to provide long-term capital appreciation by investing primarily in equity securities that are trading below their intrinsic value, as determined by Investment Counsel.

7. Financial instruments (continued):

(a) Currency risk:

Currency risk is the risk that the value of the investments denominated in currencies, other than the Canadian dollar, will fluctuate due to changes in foreign exchange rates. The tables below summarize the Trust's exposure to currency risk as at December 31, 2009 and 2008. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and underlying principal (notional) amount of forward currency contracts, if any).

December 31, 2009	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	$ 55,257,721	$ 10,604,270	$ (1,146,310)	$ 1,599,966	$ 66,315,647
US dollar	6,879,166	6,757	-	-	6,885,923
European euro	1,277,828	-	-	-	1,277,828
Japanese yen	1,885,105		-	(1,506,225)	378,880
	$ 65,299,820	$ 10,611,027	$ (1,146,310)	$ 93,741	$ 74,858,278

December 31, 2008	Investments	Cash	Net other liabilities	Derivatives (note 4)	Total
Canadian dollar	$ 52,351,226	$ 4,507,301	$ (2,924,500)	$ 17,297,143	$ 71,231,170
US dollar	13,547,323	513,339	-	(17,288,067)	(3,227,405)
	$ 65,898,549	$ 5,020,640	$ (2,924,500)	$ 9,076	$ 68,003,765

As at December 31, 2009, if the Canadian dollar had strengthened or weakened by 5% in relation to all other foreign currencies, with all other factors remaining constant, the net asset value of the Trust could have decreased or increased by approximately $427,000 (2008 – increased or decreased by $161,000), respectively. In practice, actual results may differ from the sensitivity analysis and the difference could be material.

(b) Interest rate risk:

Interest rate risk is the risk that the market value of the Trust's interest bearing investments, such as bonds, money market instruments and debentures, will fluctuate due to changes in market interest rates. The Trust's exposure to interest rate risk is concentrated in its investment in debt securities. As at December 31, 2009 the Trust held one debt security with a fair value of $3,533,778 (4.7% of net assets) and a maturity date of 2014.

All other securities, comprising equity securities and forward foreign currency contracts, were not subject to significant interest rate risk.

7. Financial instruments (continued):

(c) Liquidity risk:

The Trust's exposure to liquidity risk is concentrated in the monthly cash redemptions of shares. The Trust primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Trust retains sufficient cash and cash equivalent positions to maintain liquidity. The Trust may, from time to time, enter into over-the counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. However, the Trust requires appropriate notice of redemption, which may be restricted in certain circumstances. Accordingly, as at December 31, 2009, the Trust did not have significant exposure to liquidity risk.

(d) Credit risk:

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the counter derivative instruments is represented by any unrealized gain on the contractual obligations with the counterparty as at the reporting date. As at December 31, 2009, the Trust's exposure to credit risk related primarily to the TimberWest Forest Corp. convertible debentures.

(e) Other market risk:

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result 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 a market. Other assets and liabilities are monetary items that are short term in nature and are not subject to other market risk.

The geographical and market sector breakdown of securities is disclosed in the Trust's Schedule of Investment Portfolio. For additional information on other market risks, refer to the Trust's Confidential Offering Memorandum.

7. Financial instruments (continued):

(f) Fair value:

The Trust's assets recorded at fair value have been categorised in the following table according to the fair value hierarchy set out in note 2(a).

	Level 1	Level 2	Level 3	Total
Equities	$ 61,766,042	$ -	$ -	$ 61,766,042
Bonds	-	3,533,778	-	3,533,778
Derivatives (note 4)	-	93,741	-	93,741
	$ 61,766,042	$ 3,627,519	$ -	$ 65,393,561

There were no significant transfers between Level 1 and Level 2 during the year and no investments were classified as Level 3 investments at any time during the year.

8. Rainmaker Income Fund:

On May 31, 2002, shares held by the Trust in Rainmaker Entertainment Group were exchanged for units in Rainmaker Income Fund. For tax purposes, this transaction resulted in a capital gain of $1,284,893 to the Trust during the year ended December 31, 2002. For accounting purposes, the gain was not recognized as the exchange did not represent the culmination of the earnings process. Accordingly, the cost of the units acquired was recorded at the cost of the shares given up in the exchange. A realized gain or loss on investment will be recorded for accounting purposes when the investment is sold in the normal course, which amount will be adjusted for tax purposes by the previously reported capital gain.

9. Income taxes:

The Trust qualifies as a mutual fund unit trust under the Income Tax Act (Canada) and is not subject to income tax on the portion of its income, including net realized capital gains, which is paid or payable to unitholders. All or substantially all of the income for income tax purposes of the Trust is distributed to unitholders and, accordingly, no provision for income taxes has been made in the financial statements.

The payment or reinvestment of distributions reduces the net asset value per unit because distributions paid in cash reduce the net assets of the Trust while reinvestment results in an increase in the number of units outstanding.

10. Reconciliation of net assets and net asset value:

In accordance with GAAP, the calculation of the net assets of the Trust for financial reporting purposes ("net assets") requires investments to be valued using the closing bid price. Consistent with the investment funds industry, in accordance with Rules and Policies issued by the CSA, the Trust determines net assets value for purposes of unit sales and redemption ("NAV") based upon either last sale price or the midpoint between closing bid and ask quotations.

	NAV	S3855 adjustment	Net Assets
By series at December 31, 2009:			
Series A	$ 58,014	$ (919)	$ 57,095
Series B	74,768,475	(1,188,518)	73,579,957
Series F	129,333	(1,653)	127,680
Series X	1,110,986	(17,440)	1,093,546
	$ 76,066,808	$ (1,208,530)	$ 74,858,278
Per unit at December 31, 2009:			
Series A	$ 13.26	$ (0.21)	$ 13.05
Series B	16.22	(0.26)	15.96
Series F	6.84	(0.08)	6.76
Series X	6.57	(0.10)	6.47

11. Future changes in accounting standards:

The Manager is in the process of implementing a changeover plan to meet the timetable published by the CICA for changeover to International Financial Reporting Standards ("IFRS"). As at December 31, 2009, the Manager does not believe the impact on net assets from the changeover to IFRS will be significant. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the financial statements of the Trust.