Safety of Investments at Odlum Brown Limited

1. Odlum Brown is operated on a conservative, low risk business model.

Our business model is simple and straightforward and is based solely on managing investment portfolios for our clients. We do not engage in investment banking or liability trading of any kind. As a result we do not expose ourselves or, indirectly our clients, to the risks and volatility associated with these activities. We do not carry inventory that exposes us to market risk. We have a large, long established, conservative clientele. Our margin facilities are very selective and we are extremely conservative as to whom and the amount of margin we will extend.

2. All fully paid for securities in client accounts are fully segregated.

Fully segregated means they belong to the client, and cannot be used in the operation of Odlum Brown. Our regulator, the Investment Industry Regulatory Organization of Canada (IIROC) closely monitors our compliance with segregation standards and we are subject to regular and surprise audits of our procedures. We have an excellent record in all areas of regulatory compliance and Odlum Brown has consistently maintained a low risk trend report status with IIROC.

3. Odlum Brown is a Member of the Canadian Investor Protection Fund (CIPF).

As a Member of the Canadian Investor Protection Fund (CIPF), Odlum Brown's clients are protected, up to certain limits, in the unlikely event Odlum Brown became insolvent.

CIPF covers client's losses of securities, cash balances and other eligible property resulting from the insolvency of a member firm. CIPF does not cover client losses that result from other causes such as market declines or issuer default.

CIPF limits the coverage to a client's general account to $1 million. In the event of a member's insolvency, a client's accounts, including, if applicable, cash, margin, short sale, and options accounts are combined (including their interest in personal investment holding companies) and treated as one general account. In addition, separate accounts of the client such as Registered Plans (RRSP's, RRIF's and RESP's) are also entitled to the maximum coverage.

It is critical to understand that the $1.0 million CIPF coverage is the amount of coverage for any shortfall in a client's general and separate accounts; the insurance is not limited to accounts having net equity of $1.0 million or less. This is best explained by the following example:

A firm has $6 billion in total client equity. The member becomes insolvent and the shortfall in client accounts is $150 million (2.5 per cent of $6 billion).

Under the CIPF insurance program, each client is required to share in the loss. In other words, the loss is spread equally among all of a member's clients, pro rata to their net financial holdings (general and separate accounts). In the above example, this would amount to 2.5 per cent of the net equity of each client's general and separate account.

If a client had $20 million in equity in their general account, the client would have a loss 2.5 per cent of $20 million or $500,000. This loss is within the CIPF coverage limit of $1 million. Similarly, if the same client had $30 million of equity in their separate account, the client would have a loss of 2.5 per cent of $30 million or $750,000. Again, this loss would also be covered by the CIPF program.

In the above example, only client accounts with net equity of over $40 million would realize a loss greater than CIPF coverage, and then, only to the extent of 2.5 per cent of net assets greater than $40 million.

The example above uses a hypothetical shortfall to client accounts of $150 million dollars, which was chosen to underscore the breadth of the CIPF insurance program. As explained above, Odlum Brown's business model is a very conservative one and one that even in a "worst case scenario" would not reasonably produce a client shortfall that would place a client beyond the CIPF insurance limit.

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