



CIPF

Canadian Investor Protection Fund Financial Statements

December 31, 2002

Investor Protection for Investment Dealer Bankruptcy

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~ MESSAGE FROM THE CHAIR AND THE PRESIDENT ~

What is CIPF?

CIPF was established by the investment industry in 1969 to ensure client assets were protected, within limits, if a CIPF Member became bankrupt. CIPF is sponsored by the following Self-Regulatory Organizations [SROs]: the Investment Dealers Association of Canada [IDA], the Bourse de Montréal Inc. and the TSX Group of Companies. Approximately 200 investment dealers across Canada are Members of CIPF through their membership in CIPF's sponsoring SROs.

The primary role of CIPF is investor protection and the secondary role of CIPF is overseeing the self-regulatory system. The secondary role provides a mechanism to help CIPF contain the risk associated with its primary role.

~ OUR INVESTOR PROTECTION ROLE ~

Protection Provided to Customers

CIPF covers customers' **losses** of securities, cash balances, and certain other property such as segregated insurance funds, within defined limits, that result from the **insolvency** of a Member. *CIPF does not cover customers' losses that result from other causes such as changing market values of their securities, unsuitable investments or the default of an issuer of securities.* The definition of **security** is very broad and it includes instruments such as stocks, mutual funds (including money market funds), options, futures, bonds, strip bonds, coupons, treasury bills and GICs.

Although the Governors have discretion concerning the validity of claims and payment of claims, their discretion is exercised according to policies they have adopted and which have been summarized in the CIPF brochure. At the present time, the Governors have adopted policies which (i) define customers eligible for protection, (ii) establish limits of coverage, and (iii) define general and separate accounts. Members are required to provide their customers with the CIPF brochure and the Governors' detailed policy statements on request. A brief summary follows.

~ COVERAGE LIMITS AND POLICIES ~

General Account Coverage

The coverage limit is \$1 million for the aggregate losses arising from any combination of securities and cash balances in each customer's general account (that is, the total of losses in all cash, margin, short sale, options, futures and foreign currency accounts). For coverage purposes, a customer's proportionate interest in a joint account is combined with the customer's general account. If the customer has no other accounts, it is considered to be his or her general account, and eligible for the maximum coverage limit.

Separate Account Coverage

CIPF provides separate coverage for certain types of accounts (or groups of similar accounts) disclosed in the records of a Member. Such accounts are treated as if they belonged to a **separate** customer and each separate account is not combined with other separate accounts unless it is held by a customer in the same capacity or in the same circumstances. Each separate account is entitled to the maximum coverage of \$1 million. Examples of separate accounts include RESPs and legal trusts. All registered retirement accounts of a customer, such as RRSPs, LIRAs, RRFs and LIFs, are combined and aggregated as a single separate account.

It is important that investors recognize that a customer's **loss** is determined **after** the distribution of all assets that are available for customers in a bankruptcy or insolvency. The 1997 amendments to the Bankruptcy and Insolvency Act [BIA] permit all customers to share pro rata, according to their net equity, in the assets that comprise the customer pool fund. This minimizes the amount of loss to any one account and the amount of the shortfall, if any, is then eligible for CIPF protection up to the prescribed limits.

Investors should recognize that most of their securities are held by depositories (primarily the Canadian Depository for Securities) and book-based mutual fund systems. The probability that such securities will not be available for inclusion in the customer pool fund, if a Member becomes insolvent, is very low. CIPF's total resources, together with the regulatory mechanisms described in this report, should provide investors with considerable comfort and confidence in the securities industry in Canada.

MESSAGE FROM THE CHAIR AND THE PRESIDENT (CONTINUED)**Funding**

CIPF is funded by the securities industry through (i) assessments paid by Members based on their gross revenues, and (ii) risk premiums based on capital deficiencies. At December 31, 2002, the Fund balance was \$205 million. CIPF also maintains a \$100 million line of credit with two Canadian chartered banks, providing CIPF with total resources of \$305 million.

The value of customers' securities held by Members now exceeds \$650 billion and losses net of recoveries over the past 34 years have been just \$36 million — all of which CIPF covered.

Since 1998, it has been the policy of the Governors to set assessment rates to increase Fund resources, after expenses, in proportion to the growth of the Canadian investment industry. They have also determined that all Members will pay CIPF assessments at the full historic assessment rate for a minimum of 5 years before benefiting from any reduction in assessment rates.

~ CUSTOMER PROTECTION PROCEEDINGS ~**Thomson Kernaghan & Co. Limited**

The Ontario Securities Commission and the IDA suspended Thomson Kernaghan & Co. Limited on July 12, 2002 for failure to maintain adequate regulatory capital. Efforts undertaken by the company to transfer client accounts to other firms were unsuccessful due to inadequate financial resources. The IDA requested that CIPF seek an order appointing a trustee under Part XII of the BIA. CIPF initially advanced \$18 million to the trustee to facilitate the transfer of client accounts to other CIPF Members. Subsequent recoveries have reduced this amount to approximately \$8 million. The estate is in the process of being wound up.

~ WORLD WIDE WEB ~

The CIPF website (www.cipf.ca) includes the CIPF brochure, policy statements, advertising policy, annual reports (the current and prior years' reports are available in Acrobat pdf format for easy downloading), list of Members (updated monthly), answers to frequently asked questions and links to SROs, Members, the Canadian Depository for Securities and Securities Investor Protection Corp. New links to other websites are added, as appropriate, for the convenience of investors.

~ INVESTOR EDUCATION ~

CIPF is active in industry activities to promote investor education. Investor knowledge is key to ensuring that individuals ask for and receive adequate information to meet their investing needs and to inform them about the industry procedures for opening accounts, executing orders and maintaining custody of customer assets. All investors are encouraged to carefully review the documentation they receive when opening an account and executing investment transactions to ensure that they understand the legal entity they are dealing with, the nature of the investment they are making and the location of their investment assets. CIPF Members must display the CIPF logo on all security contracts and statements. Queries concerning accounts should be promptly addressed to the Member, preferably in writing. Questions concerning CIPF can be sent via the website, by mail, telephone or fax as noted on this report.

~ OUR OVERSIGHT ROLE ~**Agreement with the Canadian Securities Administrators [CSA]**

The CSA is comprised of the authority (generally a *securities commission*) in each Canadian province and territory that, under statute, regulates the securities industry within its jurisdiction. Each of the Canadian Securities Administrators is responsible for promoting both investor protection and an active capital market in its jurisdiction. In order to carry out their responsibilities more efficiently, and to reduce possible duplicative and unnecessary regulatory burdens, CIPF and the CSA have formalized their relationship by agreement.

MESSAGE FROM THE CHAIR AND THE PRESIDENT (CONTINUED)

The agreement with the CSA deals with the organization of CIPF, funding and maintenance of CIPF, customer protection, financial and operational regulation and reporting to the CSA with respect to Members. The Chair and the President of CIPF meet with the CSA annually to report on CIPF activities, including the matters outlined above.

CIPF Minimum Standards

CIPF and its sponsoring SROs, under the direct supervision of the CSA, establish and continuously review national standards for capital adequacy and liquidity, financial reporting, accounting records, internal control, segregation of customers' fully and partly paid securities, insurance and other matters relating to the financial condition of Members.

Examinations

The primary responsibility for financial examination of Members rests with the SROs. Primary audit jurisdiction is a method of allocating firms that have multiple SRO memberships to a single SRO, which is to be responsible for regulation. The SRO with primary audit jurisdiction collects the monthly and annual regulatory financial reports and performs an annual field examination of the firm, among other responsibilities. Other SROs, of which the firm is a member, automatically receive the monthly financial information for the firm through an electronic distribution network established by CIPF. They may also request additional information from the SRO with primary audit jurisdiction.

Under the terms of the agreement with the CSA, CIPF conducts an annual review and evaluation of each SRO's examination activities to ensure that there is compliance with CIPF Minimum Standards. In addition, CIPF conducts financial examinations of Members on a rotational basis to ensure that they are in compliance with the Minimum Standards.

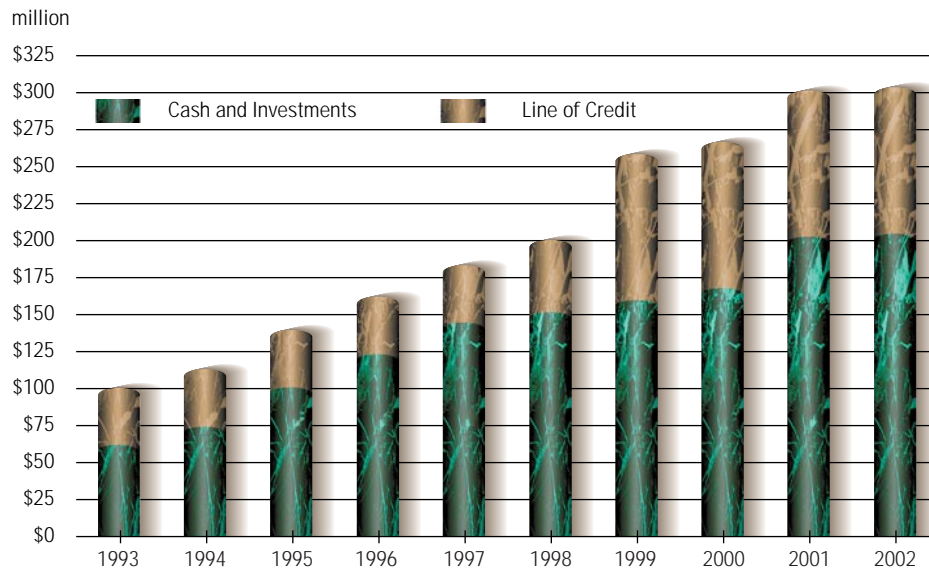


Michael St.B. Harrison
Chair



Rozanne E. Reszel
President and Chief Executive Officer

GROWTH OF CIPF RESOURCES 1993 - 2002



~ BOARD OF GOVERNORS ~

December 31, 2002

Michael St.B. Harrison^{2,3,5}
• Chair & Industry Governor at large

Rozanne E. Reszel, CFA, FCA^{2,3,4,5}
• President

PUBLIC GOVERNORS**INDUSTRY GOVERNORS**

Jean Béique^{3,5}
• General Manager,
CN Investments Division

Michael G. Greenwood^{2,5}
• Industry Governor at large
• President & Chief Operating Officer,
Canaccord Capital Corporation

Thomas A. Cumming²
• Former President,
The Alberta Stock Exchange

John McCrea, CA⁴
• Vice-Chair & Industry Governor at large

Marcel de la Gorgendière, QC¹
• Former Chair,
Saskatchewan Securities Commission

William R. Fulton, CA^{2,5}
• IDA Representative
• Deputy Chairman & Chief Operating Officer,
First Associates Investments Inc.

Claude Lamoureux, FCIA, FSA^{3,5}
• President & Chief Executive Officer,
Ontario Teachers' Pension Plan Board

Louis Vachon, CFA³
• Vice-Chairman, Bourse de Montréal Inc.
• Senior Vice-President, National Bank of Canada

Dawn Russell, LLB, LLM^{1,5}
• Dean, Dalhousie Law School,
University of Dalhousie

Keith Aune¹
• TSX Representative
• Senior Vice-President, Raymond James Ltd.

OFFICERS

Michael St.B. Harrison
• Chair

Rozanne E. Reszel, CFA, FCA
• President & Chief Executive Officer

Barbara D. Love, CA, CFA
• Vice-President & Secretary

COUNSEL**AUDITORS**

Borden Ladner Gervais LLP

Grant Thornton LLP

¹ Member of the Audit Committee ² Member of the Budget & Finance Committee ³ Member of the Investment Committee

⁴ Member of the Minimum Standards Committee ⁵ Member of the Nominating Committee

AUDITORS' REPORT

To the Board of Governors of the Canadian Investor Protection Fund

We have audited the balance sheet of the **Canadian Investor Protection Fund** as at December 31, 2002 and the statements of revenues and expenses and general fund balance, investment in capital assets and cash flows for the year then ended. 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 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 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, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Grant Thornton LLP

Chartered Accountants

Toronto, Canada

February 7, 2003

STATEMENTS OF REVENUES AND EXPENSES AND GENERAL FUND BALANCE

Year Ended December 31	2002	2001
		(Note 11)
Revenues		
Regular assessments	\$ 876,952	\$ 19,227,526
Risk premiums	188,881	369,246
Investment income	9,820,565	13,404,164
	10,886,398	33,000,936
Expenses		
Salaries and employee benefits	1,540,993	1,431,274
Pension benefits	1,188,920	90,200
Governors' fees and other	354,572	105,339
Investment management and custodial fees	266,682	258,193
Programming fees	-	249,270
Professional fees	198,023	181,089
Occupancy	156,774	173,831
Bank lines of credit	180,000	180,000
Other operating costs	287,689	284,831
	4,173,653	2,954,027
Excess of revenues over expenses before provision for claims net of amounts recoverable	6,712,745	30,046,909
Provision for claims net of amounts recoverable	4,089,221	6,494,700
Excess of revenues over expenses	2,623,524	23,552,209
General fund balance, beginning of year (Note 1)	203,253,139	179,700,930
Transfer for capital asset additions	(297,633)	-
General fund balance, end of year	\$ 205,579,030	\$ 203,253,139

See accompanying notes to the financial statements

STATEMENT OF INVESTMENT IN CAPITAL ASSETS FUND

Year Ended December 31, 2002

Fund balance, beginning of year (Note 1)	\$	258,880
Transfer from the General Fund for capital asset additions		297,633
Amortization		(169,790)
Fund balance, end of year	\$	386,723

See accompanying notes to the financial statements

BALANCE SHEET

December 31	2002	2001 (Note 11)
Assets		
Cash and cash equivalents	\$ 104,501	\$ 84,829
Recoverables and prepaids	2,762,143	262,524
Investments, at market (Note 3)	207,827,995	201,674,041
Member assessments receivable from sponsoring Self-Regulatory Organizations	347,059	5,140,964
Receivable from sponsoring Self-Regulatory Organizations for claims and related expenses	-	1,000,000
Capital assets (Note 4)	386,723	-
	\$ 211,428,421	\$ 208,162,358
Liabilities		
Payables and accruals	\$ 353,659	\$ 378,601
Employee future benefits (Note 6)	2,675,176	1,611,256
Provision for claims and related expenses	311,091	2,919,362
Due to broker for unsettled trades	2,122,742	-
	5,462,668	4,909,219
Fund balances		
Investment in capital assets (Note 4)	386,723	
General (Notes 1 and 5)	205,579,030	203,253,139
	205,965,753	203,253,139
	\$ 211,428,421	\$ 208,162,358

Commitments (Note 8)

Contingencies (Note 9)

On behalf of the Board



Governor



Governor

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS

Year Ended December 31	2002	2001
		(Note 11)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenues over expenses	\$ 2,623,524	\$ 23,552,209
Increase (decrease)		
Mark-to-market of investments	(1,019,036)	(5,186,590)
Recoverable and prepaid	(2,499,619)	(219,838)
Member assessments receivable from sponsoring Self-Regulatory Organizations	4,793,905	259,505
Receivable from sponsoring Self-Regulatory Organizations for claims and related expenses	1,000,000	(686,643)
Payables and accruals	(24,942)	69,780
Employee future benefits	1,063,920	(34,800)
Provision for claims and related expenses	(2,608,271)	(580,638)
Due to broker for unsettled trades	2,122,742	(3,607,481)
	5,452,223	13,565,504
Investing activities		
Purchase of capital assets	(297,633)	-
Activity in investment securities		
Purchases	(823,986,595)	(635,116,767)
Proceeds from maturities	762,566,000	479,850,000
Proceeds from sales	56,285,677	141,616,465
	(5,432,551)	(13,650,302)
Net increase (decrease) in cash and cash equivalents	19,672	(84,798)
Cash and cash equivalents, beginning of year	84,829	169,627
Cash and cash equivalents, end of year	\$ 104,501	\$ 84,829

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

1. ORGANIZATION

The Canadian Investor Protection Fund was established in 1969 by an Agreement and Declaration of Trust, by its sponsoring Self-Regulatory Organizations ("SROs"), to protect customers who have suffered financial loss due to the failure of a Member of any one of the sponsoring SROs.

Effective 11:59 pm on December 31, 2001, the original organization was terminated and wound-up. The assets and liabilities were distributed to the SROs who immediately contributed those assets and liabilities to the new Canadian Investor Protection Fund (the "Fund" or "CIPF"), a not-for-profit member corporation. A new Industry Agreement was established effective January 1, 2002.

At December 31, 2002, the sponsoring SROs of the Fund were, the Bourse de Montréal Inc. ("Bourse"), the Investment Dealers Association of Canada ("IDA"), and the TSX Group of Companies ("TSX").

Contributions from the SROs were as follows:

	Bourse de Montréal Inc.	Investment Dealers Association of Canada	TSX Group of Companies	Total
General Fund, January 1, 2002	\$ 9,494,079	\$ 182,351,709	\$ 11,407,351	\$ 203,253,139
Investment in Capital Assets Fund, January 1, 2002	\$ 12,092	\$ 232,258	\$ 14,530	\$ 258,880

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The CIPF follows accounting principles appropriate for not-for-profit organizations, in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

General Fund - The purpose of the fund is to provide protection to customers of members or approved participants of sponsoring self-regulatory organizations, who, in the opinion of the directors of the Fund, have suffered or may suffer financial loss as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by the Fund and on the sole discretion of the directors.

Investment in capital assets represents the Fund's net investment in capital assets which is comprised of the unamortized balance of its capital assets.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks net of bank overdrafts.

Regular assessments and risk adjustment premiums

Regular assessments arise from quarterly contributions from sponsoring SROs which are based on rates of assessment, as determined by the Board of Governors of the Fund, applied to the gross revenues of Members. Risk adjustment premiums are assessments that are payable by Members that have incurred capital deficiencies, at rates determined by the Board of Governors of the Fund. The Industry Agreement provides for a limit on assessments in any calendar year such that no Members shall be assessed more than 1% of its aggregate gross revenues unless an additional amount is required for repayment of obligations under the bank line of credit. Regular assessments and risk adjustment premiums are recorded in these financial statements when they are receivable.

Provision for claims and related expenses

Provisions for claims from customers of insolvent Members and related expenses, such as trustee's fees, are charged to the Fund balance when the Fund is notified of potential claims and expects to incur the related expenses. Recoveries of amounts paid with respect to customers' claims and administrative costs are included in the Fund balance when reasonably determinable. No amounts are set aside to cover possible losses and customer claims not yet reported.

Investments

Investments are recorded at market value. Bonds, debentures and short term notes, including treasury bills, bankers' acceptances and commercial paper, are valued at closing quotations from Canadian investment dealers. Unlisted bonds and debentures are recorded at values reflecting current market yields of similar debt obligations.

Capital assets

Commencing with the current year, capital assets are recorded at cost and amortized in the Investment in Capital Assets Fund. In the prior years, the original organization expensed all capital expenditures. Amortization of office furniture and equipment over their useful lives is computed by the straight-line method at 20% per annum, except for computer software and equipment, which is at 33 1/3% per annum. Leasehold improvements are amortized over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee future benefits

The Fund accrues its obligation under employee benefit plans and the related costs, net of plan assets, as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance for funded plans, salary escalation, retirement ages of employees and expected health care costs.
- Past service costs for the initiation of the plan have been expensed. Past service costs for future plan amendments will be amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

3. INVESTMENTS

Jones Heward Investment Counsel Inc. manages the investments according to an investment policy approved by the Board of Governors. The investment policy restricts investments to high-quality, fixed income securities which are no more than 30 years to maturity. The investments are held by CIBC Mellon Global Securities Company as custodian.

The following table discloses the interest rate sensitivity, maturity and yields of the Fund's investments as at December 31, 2002 and 2001. The interest rates are fixed to the financial instruments' maturities.

2002	Maturity					Total Market value
	Less than 3 months	3 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	
Treasury bills	\$ 47,686,142	\$2,134,391	\$ -	\$ -	\$ -	\$ 49,820,533
Yield	2.66%	2.67%	-	-	-	2.66%
Commercial paper	14,311,019	-	-	-	-	14,311,019
Yield	2.81%	-	-	-	-	2.81%
Government bonds	-	38,282,319	-	29,260,690	36,871,473	104,414,482
Yield	-	2.83%	-	3.95%	4.73%	3.82%
Corporate bonds	-	3,151,910	12,589,549	20,551,942	2,988,560	39,281,961
Yield	-	4.38%	3.62%	4.22%	5.34%	4.13%
	\$ 61,997,161	\$ 43,568,620	\$ 12,589,549	\$ 49,812,632	\$ 39,860,033	\$ 207,827,995

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

2001	Maturity					Total Market value
	Less than 3 months	3 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	
Treasury bills	\$ 31,194,763	\$ -	\$ -	\$ -	\$ -	\$ 31,194,763
Yield	2.03%	-	-	-	-	2.03%
Commercial paper	35,867,948	-	-	-	-	35,867,948
Yield	2.28%	-	-	-	-	2.28%
Government bonds	7,705,890	19,568,900	16,726,565	42,346,104	-	86,347,459
Yield	2.03%	2.07%	2.94%	4.79%	-	3.57%
Corporate bonds	-	18,106,693	9,590,840	20,566,338	-	48,263,871
Yield	-	2.93%	3.90%	4.82%	-	3.93%
	\$ 74,768,601	\$ 37,675,593	\$ 26,317,405	\$ 62,912,442	\$ -	\$ 201,674,041

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2002 Net Book Value
Office furniture and equipment	\$ 27,616	\$ 5,523	\$ 22,093
Leasehold improvements	63,175	9,025	54,150
Computer software and equipment	465,720	155,240	310,480
	\$ 556,511	\$ 169,788	\$ 386,723

5. BANK LINES OF CREDIT

The General Fund has two lines of credit provided by two Canadian chartered banks totalling \$100,000,000 (2001 - \$100,000,000). The Bourse and the IDA have guaranteed these lines of credit by pledging their ability to assess Members.

The CIPF has a limit on the aggregate amount of borrowings the General Fund may have which is equal to 1 1/2% of the prior year's aggregate gross revenues of all Members. The limit on the amount of borrowings for 2003 will be \$147,102,015 and was \$151,994,010 for 2002.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE FUTURE BENEFITS

The Fund provides retirement benefits to a retired employee since September 1, 1998. Assets of the Fund have not been segregated for this obligation.

The Fund established a Supplementary Executive Retirement Plan (SERP) for certain executives effective April 9, 2002. This plan will not be registered under the Income Tax Act nor will it be funded externally.

The Fund also established a Defined Contribution Plan for all employees effective January 1, 2003.

The Fund has recorded the following information:

	Pension benefit plan		SERP	
	2002	2001	2002	2001
Net expense	\$ 88,620	\$ 90,200	\$ 1,100,300	\$ -
Accrued benefit liability	\$ 1,574,876	\$ 1,611,256	\$ 1,100,300	\$ -

Additional actuarial information about the Fund's defined benefit plans as at December 31 is as follows:

	Pension benefit plan		SERP	
	2002	2001	2002	2001
Accrued benefit obligation	\$ 1,574,876	\$ 1,611,256	\$ 1,100,300	\$ -
Fair value of plan assets	-	-	-	-
Net obligation	\$ 1,574,876	\$ 1,611,256	\$ 1,100,300	\$ -

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension benefit plan		SERP	
	2002	2001	2002	2001
Discount rate	6.5%	5.5%	6.5%	-
Rate of compensation increase	-	-	5.0%	-

Other information about the Fund's defined benefit plans is as follows:

	Pension benefit plan		SERP	
	2002	2001	2002	2001
Benefits paid	\$ 125,000	\$ 125,000	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT IN SHARES OF THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

In 1982, the IDA, the TSX, The Montréal Exchange and the Vancouver Stock Exchange gifted their investments in the Canadian Depository for Securities Limited to the Fund. These investments are in the form of non-voting, non-cumulative, redeemable preference shares and, as the Fund received the shares at no cost and they had no quoted market value at the time, the investments are not reflected in these financial statements.

8. LEASE COMMITMENTS

The Fund has future minimum annual lease commitments on office space and office equipment as follows:

2003	\$ 95,300
2004	88,100
2005	103,392
2006	103,392
2007	103,390
Thereafter	206,784

The Fund is also committed to its share of operating costs and taxes with respect to such lease, which approximates \$90,000 per year.

9. CONTINGENCIES

Three Fund Member bankruptcies are currently under the administration of trustees in bankruptcy. CIPF staff, its advisors and the trustees in bankruptcy are in the process of determining the validity of claims totaling approximately \$18 million and whether they are eligible for fund coverage. The liability of the Fund, if any, with regard to these claims cannot be finally determined at this time and has not been provided for in these financial statements.

10. FINANCIAL INSTRUMENTS

As disclosed in Note 2, investments are carried at market value. The carrying values of the Fund's other financial instruments, which consist of cash and cash equivalents, receivables, and payables, approximate their fair value due to their relatively short periods to maturity.

The Fund does not have significant concentration of credit risk to members.

The Fund does not have significant exposure to interest risk.

NOTES TO THE FINANCIAL STATEMENTS

11. COMPARATIVE FINANCIAL STATEMENTS

Comparative financial statements reflect the results of the predecessor organization and have been restated to conform to current year presentation of the new organization.

The financial statements as at December 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 20, 2002.

CLAIMS AND RELATED EXPENSES PAID AND/OR PROVIDED NET OF RECOVERIES

Insolvent Firm	Year	Responsible SRO	Cost to CIPF
Malone Lynch Securities Limited	1971	TSE	\$ 1,545,970
Andrews & Belanger Co. Ltd.	1971	ME	78,346
Chartrand, Quinn, Senecal & Co.	1973	ME	139,245
Blanchard, O'Connor & Co.	1974	ME	35,712
Atlantic Securities Limited	1981	IDA	273,476
Rademaker MacDougall & Company	1982	VSE	-
First Commonwealth Securities Corp.	1986	ASE	1,828,246
Anglo Securities Limited	1986	VSE	261,051
Osler Inc.	1987	TSE	15,531,793
R. Drapeau Capital Inc.	1989/93	ME	25,028
Invescourt, courtier en valeurs mobilières inc.	1990	ME	5,973
Brault, Guy, O'Brien Inc.	1990	ME	166,000
McConnell & Company Limited	1991	TSE	2,940,311
Essex Capital Management Ltd.	1999	IDA	5,668,911
Maxima Capital Inc.	2001	ME	-
Rampart Securities Inc.	2001	IDA	544,255
Thomson Kernaghan & Co. Limited	2002	IDA	7,402,752
Total			\$ 36,447,069