



Canadian Investor Protection Fund 2005 Annual Report

Investor Protection for Investment Dealer Bankruptcy

OUR MISSION

To foster a healthy and active capital market in Canada by contributing to the security and confidence of investors who have accounts with Members of our sponsoring Self-Regulatory Organizations.

CIPF protects investors, within defined limits, from loss of securities and cash balances that result from the insolvency of a Member.

CIPF and its sponsoring Self-Regulatory Organizations establish national standards for financial responsibility and monitor Members' compliance with such standards in order to minimize exposure to loss.

CONTENTS	PAGE
Message from the Chair and the President	1
Growth of CIPF Resources 1996 - 2005	4
Board of Governors	5
Financial Statements	
Auditors' Report	6
Statements of Revenues and Expenses and General Fund Balance	7
Statement of Investment in Capital Assets Fund	8
Balance Sheet	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Unaudited Schedule of Claims and Related Expenses Paid and/or Provided Net of Recoveries	18

~ 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 of Members

CIPF covers customers of Members who have suffered or may suffer financial loss solely as a result of the insolvency of a Member. Such loss must be in respect of a claim for the failure of the Member to return or account for securities, cash balances, commodities, futures contracts, segregated insurance funds, [or other property] received, acquired or held by the Member in an account for the customer. *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.

The total value of customer assets held by Members and eligible for protection by CIPF is approximately \$900 billion. Since 1969, there have been 17 insolvencies and all eligible customer claims, which totaled \$37 million, were reimbursed by CIPF. Claims that are eligible for coverage are normally settled by ensuring that the trustee has sufficient assets to transfer the customer accounts to another Member.

~ COVERAGE POLICY AND LIMITS ~

Although the Board of Governors have discretion concerning the validity of claims and payment of claims, their discretion is exercised according to the CIPF Coverage Policy that defines customers eligible for protection, general and separate accounts, the date at which the financial loss of a customer is determined, and establishes limits of coverage. The Coverage Policy has been summarized in the CIPF Brochure. Both documents are available on the CIPF website, at www.cipf.ca. The CIPF Brochure may also be obtained from any CIPF Member.

A brief summary of the Coverage Policy follows.

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, the joint account 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, RRIFs and LIFs, are combined and aggregated as a single separate account.

MESSAGE FROM THE CHAIR AND THE PRESIDENT (CONTINUED)**Determination of Customer Losses**

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 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.

~ FUNDING ~

Members are required to pay a percentage of their annual gross revenue, to a maximum of up to 1%, to CIPF.

Since 1998, the Board of Governors have set the assessment rates to increase Fund resources, after expenses, in proportion to the growth of the Canadian investment industry. Each Member is assessed at the same rate, however new Members must pay a prescribed rate for 5 years, and Members that have not maintained sufficient regulatory capital are required to pay an additional assessment.

At December 31, 2005, the Fund balance was \$243 million. CIPF also has lines of credit totaling \$100 million with two Canadian chartered banks, providing CIPF with total resources of \$343 million.

~ CUSTOMER PROTECTION PROCEEDINGS ~

There were no new insolvency proceedings commenced in 2005. The financial statements reflect the activity in previous insolvency proceedings that are being wound up under the supervision of trustees.

~ WORLD WIDE WEB ~

The CIPF website (www.cipf.ca) includes the CIPF Brochure, Coverage Policy, Advertising Policy, Annual Reports, Members List (updated monthly), and other information to help customers understand CIPF and the protection provided to them.

~ INVESTOR EDUCATION ~

CIPF is active in industry initiatives to promote investor education. In 2005, CIPF participated with other Canadian compensation funds to launch a joint web portal, www.financeprotection.ca, to assist investors with questions about financial compensation. 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 directly to CIPF via the website, by mail, telephone or fax.

~ 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

MESSAGE FROM THE CHAIR AND THE PRESIDENT (CONTINUED)

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.

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 IDA has the primary responsibility for financial examination of Members.

Under the terms of the agreement with the CSA, and to ensure compliance with CIPF Minimum Standards, CIPF reviews and evaluates the IDA examination activities and, on a sample basis, performs financial examinations of Member firms.



John P. McCrea

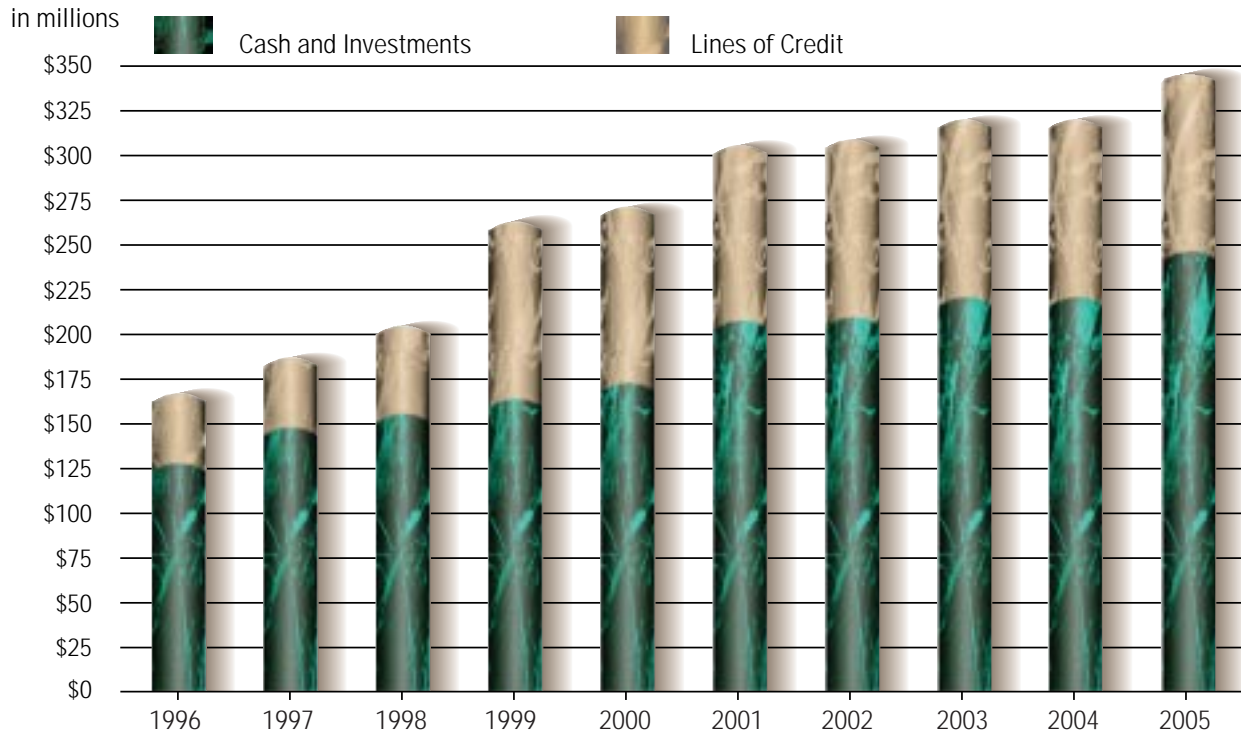
Chair



Rozanne E. Reszel

President and Chief Executive Officer

GROWTH OF CIPF RESOURCES 1996 - 2005



~ BOARD OF GOVERNORS ~

December 31, 2005

John P. McCrea, CA^{2,4,5}

• Chair & Industry Governor at large

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

• President & Chief Executive Officer

PUBLIC GOVERNORS**Thomas A. Cumming^{1,2,5}**• Former President,
The Alberta Stock Exchange**Marcel de la Gorgendière, QC^{1,5}**• Former Chair,
Saskatchewan Securities Commission**Jean Guertin^{2,4}**• Honorary Professor,
HEC Montréal**David Lay, FCA⁴**• Retired Deputy Chairman,
Ernst & Young, Chartered Accountants**Dawn Russell, LLB, LLM^{1,4,5}**• Dean, Dalhousie Law School,
University of Dalhousie**INDUSTRY GOVERNORS****Michael G. Greenwood^{4,5}**• Industry Governor at large
• President & Chief Operating Officer,
Canaccord Capital Corporation**Christopher J. Hodgson^{1,2}**• Industry Governor at large
• Executive Vice-President, Scotiabank**William R. Fulton, CA^{2,3,5}**• Investment Dealers Association of Canada Appointee
• Senior Vice-President, TD Waterhouse Canada Inc.**Giovanni Giarrusso, CA^{1,4}**• Bourse de Montréal Inc. Appointee
• Former Senior Executive Vice-President,
Bourse de Montréal Inc.**Ian S. Brown, CA⁵**• TSX Group of Companies Appointee
• Senior Managing Director, Raymond James Ltd.**OFFICERS****John P. McCrea, CA**

• Chair & Industry Governor at large

Rozanne E. Reszel, CFA, FCA

• President & Chief Executive Officer

Barbara D. Love, CA, CFA

• Vice-President & Secretary

Linda G. Pendrill, CA

• Chief Financial Officer

COUNSEL**Borden Ladner Gervais LLP****AUDITORS****Grant Thornton LLP**¹ Member of the Audit Committee ² Member of the Finance, Investment and Human Resources Committee³ Member of the Minimum Standards Committee ⁴ Member of the Governance and Nominating Committee⁵ Member of the Claims CommitteeCANADIAN INVESTOR PROTECTION FUND
FONDS CANADIEN DE PROTECTION DES ÉPARGNANTS

79 Wellington Street West, Suite 610, P.O. Box 75, Toronto, Ontario M5K 1E7

Telephone: 416-866-8366 Toll-free: 1-866-243-6981 Fax: 416-360-8441 www.cipf.ca

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, 2005 and the Statements of Revenues and Expenses and General Fund Balance, Investment in Capital Assets Fund 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, 2005 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

Grant Thornton LLP

Chartered Accountants

Toronto, Canada

February 10, 2006

STATEMENTS OF REVENUES AND EXPENSES AND GENERAL FUND BALANCE

Year Ended December 31	2005	2004
Revenues		
Regular assessments	\$ 19,378,193	\$ 915,289
Risk premiums	1,147,017	719,614
Investment income	8,674,399	10,016,745
	29,199,609	11,651,648
Expenses		
Salaries and employee benefits	2,066,880	1,977,612
Pension and other employment benefits	395,200	242,200
Governors' fees and other	333,426	287,186
Investment management fees	-	19,612
Professional fees	245,472	239,217
Occupancy	256,958	203,143
Bank lines of credit fees	180,000	180,000
Other operating costs	403,643	422,032
	3,881,579	3,571,002
Excess of revenues over expenses before provision for claims net of amounts recoverable	25,318,030	8,080,646
Net provision (recoveries) for claims	(649,678)	5,709,215
Excess of revenues over expenses before other items	25,967,708	2,371,431
Change in accounting policy from fair value to amortized cost	-	2,199,892
Excess of revenues over expenses	\$ 25,967,708	\$ 171,539
General Fund, beginning of year	\$ 216,999,372	\$ 217,275,878
Transfer to the Investment in Capital Assets Fund for capital asset additions	(108,795)	(448,045)
Excess of revenues over expenses	25,967,708	171,539
General Fund, end of year	\$ 242,858,285	\$ 216,999,372

See accompanying notes to the financial statements.

STATEMENT OF INVESTMENT IN CAPITAL ASSETS FUND

Year Ended December 31	2005	2004
Investment in Capital Assets Fund, beginning of year	\$ 445,311	\$ 284,518
Transfer from the General Fund for capital asset additions	108,795	448,045
Amortization of capital assets and write-off of leasehold improvements	(150,104)	(287,252)
Loss on disposal of assets	(18,841)	-
Investment in Capital Assets Fund, end of year	\$ 385,161	\$ 445,311

See accompanying notes to the financial statements.

BALANCE SHEET

December 31	2005	2004
Assets		
Cash and cash equivalents	\$ 140,058	\$ 139,168
Recoverables and prepaids	36,403	34,207
Investments at amortized cost (Note 3)	241,273,651	222,275,412
Member assessments receivable from sponsoring Self-Regulatory Organizations	7,844,632	704,112
Capital assets (Note 4)	385,161	445,311
	\$ 249,679,905	\$ 223,598,210
Liabilities		
Payables and accruals	\$ 285,400	\$ 258,882
Employee future benefits (Note 6)	3,274,576	3,004,376
Provision for claims and related expenses	2,683,000	2,672,600
Deferred lease inducements	193,483	217,669
	6,436,459	6,153,527
Fund balances		
Investment in Capital Assets (Note 4)	385,161	445,311
General (Notes 1 and 5)	242,858,285	216,999,372
	243,243,446	217,444,683
	\$ 249,679,905	\$ 223,598,210

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	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenues over expenses	\$ 25,967,708	\$ 171,539
Interest accrued	(304,810)	(542,500)
Bond premium amortization	859,242	2,046,055
Realized gain on sale of investments	-	(1,624,250)
Change in accounting policy from fair value to amortized cost	-	2,199,892
Change in:		
Recoverables and prepaids	(2,196)	6,008,293
Member assessments receivable	(7,140,520)	(363,062)
Payables and accruals	26,518	(165,442)
Employee future benefits	270,200	117,200
Provision for claims and related expenses	10,400	1,857,600
Deferred lease inducements	(24,186)	217,669
	19,662,356	9,922,994
Investing activities		
Purchase of capital assets	(108,795)	(448,045)
Purchases of investments	(96,488,690)	(331,181,478)
Proceeds from maturities and sale of investments	76,936,019	321,723,601
	(19,661,466)	(9,905,922)
Net increase in cash and cash equivalents	890	17,072
Cash and cash equivalents, beginning of year	139,168	122,096
Cash and cash equivalents, end of year	\$ 140,058	\$ 139,168

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

1. ORGANIZATION

The Canadian Investor Protection Fund (the "Fund" or "CIPF") 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 December 31, 2001, CIPF became a not-for-profit member corporation. Effective January 1, 2002, a new Industry Agreement was established, replacing the Agreement and Declaration of Trust.

At December 31, 2005, 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"). The Fund is registered as a not-for-profit organization under the Income Tax Act and, as such, is exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 General Fund is to provide protection to customers of Members or Approved Participants of sponsoring SROs, who, in the opinion of the Governors 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 Governors.

Investment in Capital Assets Fund

The Investment in Capital Assets Fund represents the Fund's unamortized balance of its capital assets.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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. The most significant area requiring the use of estimates is provision for claims and related expenses. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Investments

Investments are comprised of fixed income instruments that are carried at amortized cost as they are intended to be held to maturity. Premiums and discounts are amortized on a straight-line basis over the remaining term of the instruments. In the case of a significant and other than temporary loss in value of an investment, the investment would be written down in value at the time of impairment.

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 assessed.

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 General 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 General Fund balance when reasonably determinable. No amounts are set aside to cover possible losses and customer claims not yet reported.

Capital assets

Capital assets are recorded at cost and amortized in the Investment in Capital Assets Fund. 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.

Deferred lease inducements

Deferred lease inducements are taken into income 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 future 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 prorated on service and management's best estimate of 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

The investments are held by CIBC Mellon Global Securities Company as custodian.

The following table discloses the amortized cost, maturity and average yields to maturity of the Fund's investments at December 31, 2005. The weighted average yield to maturity of the portfolio is 4.04%.

2005	Maturity					Total Amortized Cost
	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	\$ 18,030,857	\$ 34,823,292	\$ -	\$ -	\$ -	\$ 52,854,149
Yield	2.80%	3.12%	-	-	-	3.01%
Government bonds	-	15,420,429	15,777,514	15,769,447	63,495,486	110,462,876
Yield	-	3.25%	4.07%	4.10%	4.71%	4.33%
Provincial bonds	-	-	15,516,017	15,948,780	46,491,829	77,956,626
Yield	-	-	3.72%	3.68%	4.78%	4.35%
	\$ 18,030,857	\$ 50,243,721	\$ 31,293,531	\$ 31,718,227	\$ 109,987,315	\$ 241,273,651

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENTS (CONTINUED)

The following table discloses the amortized cost, maturity and average yields to maturity of the Fund's investments at December 31, 2004.

2004	Maturity					Total Amortized Cost
	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	\$ 1,573,395	\$ 29,474,022	\$ -	\$ -	\$ -	\$ 31,047,417
Yield	2.50%	2.51%	-	-	-	2.51%
Government bonds	-	-	15,947,755	15,781,648	79,898,105	111,627,508
Yield	-	-	3.55%	4.07%	4.59%	4.36%
Provincial bonds	15,542,637	15,603,541	15,842,666	16,254,876	16,356,767	79,600,487
Yield	2.68%	3.02%	3.72%	3.68%	4.79%	3.59%
	\$ 17,116,032	\$ 45,077,563	\$ 31,790,421	\$ 32,036,524	\$ 96,254,872	\$ 222,275,412

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Office furniture and equipment	\$ 279,586	\$ 101,722	\$ 177,864	\$ 184,409
Leasehold improvements	214,258	42,242	172,016	186,655
Computer software and equipment	683,774	648,493	35,281	74,247
	\$ 1,177,618	\$ 792,457	\$ 385,161	\$ 445,311

5. BANK LINES OF CREDIT

The Fund has two lines of credit provided by two Canadian chartered banks totaling \$100,000,000 (2004 - \$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 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 2006 will be \$202,837,395 and was \$187,035,090 for 2005.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE FUTURE BENEFITS

The Fund has provided 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 is not registered under the Income Tax Act nor is it funded externally.

The Fund provides extended health benefits on retirement to all employees who retire on or after age 55 with service greater than ten years.

The Fund also established a Group RSP that is funded on a defined contribution basis for all employees effective January 1, 2003. Contributions paid and expensed by the Fund for the year ended December 31, 2005 amounted to \$82,406 (2004 - \$79,919).

The Fund's net benefit plan expense, which is recorded in pension and other employment benefits expenses, is as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2005	2004	2005	2004	2005	2004
Net benefit plan expense	\$ 86,600	\$ 93,500	\$ 296,900	\$ 181,500	\$ 13,700	\$ (32,800)

Information about the Fund's defined benefit plans as at December 31 is as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2005	2004	2005	2004	2005	2004
Accrued benefit obligation						
Balance at end of year	\$ 1,698,000	\$ 1,729,100	\$ 2,451,200	\$ 2,182,900	\$ 68,900	\$ 57,200
Funded Status						
Plan deficit	\$ 1,698,000	\$ 1,729,100	\$ 2,451,200	\$ 2,182,900	\$ 68,900	\$ 57,200
Unamortized net actuarial gains (losses)	(222,924)	(215,624)	(720,600)	(749,200)	-	-
Accrued benefit liability, net of valuation allowance	\$ 1,475,076	\$ 1,513,476	\$ 1,730,600	\$ 1,433,700	\$ 68,900	\$ 57,200

The pension benefit plan, the SERP and the other benefit plan are not funded.

NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2005	2004	2005	2004	2005	2004
Discount rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%	-	-

Other information about the pension benefit plan, the SERP and other benefit plan is as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2005	2004	2005	2004	2005	2004
Benefits paid	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ 2,000	\$ 1,700

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 2,690,834 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

At December 31, 2005, the Fund has future minimum annual lease commitments on office space and office equipment as follows:

2006	\$133,830
2007	133,830
2008	133,830
2009	143,198
2010	149,890
Thereafter	514,998

The Fund is also committed to its share of operating costs and taxes with respect to such lease, which approximates \$169,000 per year.

NOTES TO THE FINANCIAL STATEMENTS

9. CONTINGENCIES

Three Fund Members bankruptcies are currently under the administration of trustees in bankruptcy. CIPF staff, its advisors and/or the trustees in bankruptcy are in the process of assessing the eligibility of claims totaling \$28 million for Fund coverage. CIPF is also defending litigation against it totaling \$13.5 million. The liability of the Fund, if any, with regard to these claims and litigations cannot be finally determined at this time and has not been provided for in these financial statements.

10. FINANCIAL INSTRUMENTS

Investments are carried at amortized cost of \$241.3 million and have a market value of \$244.3 million. These investments have maturity dates and average yields as disclosed in Note 3. The interest rates in these investments are fixed, exposing the Fund to interest rate risk and the Fund does not hedge against this risk. The investment policy of the Fund is to hold its investments to maturity, which mitigates the interest rate risk that exists. In the event that the Fund is forced to liquidate its investments prematurely, this policy would not be as effective at reducing the interest rate risk.

The fair value of the Fund's investment in shares of the Canadian Depository for Securities Limited is not reasonably determinable.

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.

UNAUDITED SCHEDULE OF 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	2,919,047
Essex Capital Management Ltd.	1999	IDA	6,202,594
Maxima Capital Inc.	2001	ME	-
Rampart Securities Inc.	2001	IDA	4,475,271
Thomson Kernaghan & Co. Limited	2002	IDA	3,575,913
Total			\$ 37,063,665