

Investor Protection SAFEGUARDING CLIENT ASSETS

As a result of a number of recent high profile cases uncovered in the U.S. and Canada involving investor fraud and theft of client assets, Hemisphere Capital Management (“Hemisphere”) feels it is important to review our operational protections and regulatory controls that are in place to safeguard your assets.

1. All Hemisphere clients use a major Canadian chartered bank as the independent custodian for their assets. In addition to providing safekeeping of client assets, these custodians are responsible for income collection, trade settlement, security administration, banking and account reporting.

2. Your investment manager only has the authority to transact marketable securities within your account(s) at these financial institutions. We do not have direct access to any client funds. All client cheques for deposit must be made payable either to the custodian or to the client’s themselves – not to the investment manager.

3. At Hemisphere we believe that having a clear separation of roles (investment manager versus custodian) provides better protection to our clients, not only from the stand-point of safeguarding client assets, but also with regards to fiduciary considerations such as conflict of interest and disclosure. An arms-length relationship between your manager and custodian also offers additional checks and balances in that we, the investment manager, scrutinize the custodian and the custodian scrutinizes us. Interestingly, virtually all recent cases of investor fraud and theft of client assets have occurred where the investment manager also provided custodial services.

Virtually all recent cases of investor fraud have occurred in instances where the investment manager also provided custodial services.

4. The majority of our clients use TD Waterhouse Institutional Services (“TDWIS”) as their custodian. TDWIS is owned by The Toronto-Dominion Bank and is a member of the Canadian Investor Protection Fund (“CIPF”). The CIPF protects customers of members who have suffered or may suffer financial loss solely as a result of the insolvency of a member up to a maximum of \$1 million per account type.

5. TDWIS, as well as the custodial divisions of other Canadian chartered banks, are regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”). IIROC is a national self-regulatory organization which oversees all investment dealers and trading activity within the debt and equity marketplaces in Canada.

6. Hemisphere is registered with the Ontario, Manitoba, Saskatchewan, Alberta and B.C. securities commissions. We are subject to “surprise” operational audits by any of these commissions and annually must undergo a full financial audit. Hemisphere also has very specific working capital and financial institutional bonding requirements.

7. Since our clients’ custodians are regulated by IIROC and we are regulated by the provincial securities commissions, our clients essentially have two levels of regulatory oversight.

8. The majority of the professional staff at Hemisphere Capital Management are Chartered Financial Analysts (CFAs) and members of the CFA Institute. As such we must adhere to both the CFA Code of Ethics and Standards of Professional Conduct as well as the Asset Manager Code of Professional Conduct. These are the most rigorous codes of conduct in the financial industry.