



Caldwell Securities Ltd.

April, 2002

**To: Boards of Directors and Management
of publicly traded companies**

It is clear from recent corporate disclosures that certain basic principles need to be restated.

Shareholders are the owners of the businesses which you have been entrusted to direct and manage.

The owners deserve a clear view of their companies' affairs. Although Generally Accepted Accounting Principles allow some aggressive bookkeeping practices, it does not mean they should be used. Clarity and transparency are crucial to understanding the true quality of a company's earnings and financial position. It is your responsibility to provide the salient information in an understandable form and without attempts to hide key data.

Boards of Directors, as the elected representatives of the business owners, are charged with hiring management at a reasonable cost. Although many of you are friends of management and some have significant perks as Board members, your line of responsibility is clear. Compensating managements at inflated levels attracts a host of problems, from internal corporate morale concerns, to a focus on short-term share price performance and a resulting propensity to conceal bad news.

Paying CEOs tens of millions of dollars, often by significantly diluting the ownership of existing shareholders through the use of stock options, is a form of plundering. There are very few superstars in business, and many excellent managers are readily available for reasonable compensation.

Management should have a clear vision for a company's future and an understandable plan to achieve that vision. Any changes should be clearly communicated on a timely basis.

Morality, ethics, trust, judgement and accountability cannot be legislated, but they are fully expected and indeed, demanded by company owners.

For capital markets to survive, let alone prosper, trust is the primary ingredient and increasingly, that trust has not been lived up to by many leading corporations. If investors cannot trust financial statements or the actions of their stewards, then they will simply seek out investments other than common share ownership.

In order to encourage corporate responsibility, Caldwell Securities Ltd., as an independent investment advisor, plans to redirect a significant portion of its research efforts towards exposing Boards of Directors and managements who do not live up to the trust placed in them.

"The master of all should be the servant of all"

Thomas S. Caldwell
Chairman

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