



Caldwell Securities Ltd.

Independent Investment Advisors

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In April 2002, Caldwell Securities Ltd. published an open letter to the Boards of Directors and Managements of publicly traded companies.

In that letter we stated:

“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.”

and

“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 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.”

Two years later, we are still experiencing abuses stemming from inflated executive compensation packages.

The following tips might provide guidance for Directors in this regard:

1. Top caliber talent, fully capable of managing a major corporation, is readily available for compensation in single digit millions.
2. Fire any compensation or business consultant who tells you otherwise.
3. If you are a member of a Board's audit or compensation committee that pays inflated executive salaries, fire yourself.
4. If you have developed a performance scheme that justifies inflated executive payments and do not diligently monitor the results of that scheme, go back to step 3.

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Chairman

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