

**FINANCIAL SERVICES COMMISSION OF
ONTARIO**

ADDENDUM

to the

PENSION EXAMINATION REPORT

of the

CANADIAN COMMERCIAL WORKERS INDUSTRY

PENSION PLAN

Registration Number 580431

January 2006

Introduction

The Superintendent of Financial Services (the "Superintendent") is responsible for the administration and enforcement of the Ontario *Pension Benefits Act, R.S.O. 1990*, as amended (the "Act") and *Regulation 909, R.R.O. 1990*, as amended (the "Regulation").

The Act and Regulation set out the minimum legislative standards applicable to a pension plan as defined in the Act. The Canadian Commercial Workers Industry Pension Plan ("CCWIPP" and the "Plan") is a pension plan which is subject to the Act and Regulation, and a certificate of registration has been issued. The registration number of the pension plan is 580431.

CCWIPP is a multi-jurisdictional pension plan. A multi jurisdictional plan is one which has members in more than one jurisdiction. In the administration and enforcement of a multi-jurisdictional pension plan, the Financial Services Commission of Ontario ("FSCO"), as the major authority under a Memorandum of Reciprocal Agreement is required to administer the pension benefits legislation of those other jurisdictions as it relates to the members of the pension plan who may be affected by the legislation. In the CCWIPP examination by FSCO consideration was taken of the requirements of the pension legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia and Newfoundland & Labrador.

During 2002, allegations were made to FSCO that CCWIPP was not complying with the Act and Regulation. Specifically these allegations related to the following:

- there were irregularities involved in the investment of assets of the pension fund in respect of certain real estate investments being managed by the Board of Trustees;
- the assets of the pension plan were not being held in the name of CCWIPP;
- related-party transactions were taking place contrary to the Act;
- conflict of interest situations existed contrary to the Act;
- some members of the Board of Trustees were receiving payments other than those contemplated by the Act; and
- the Board of Trustees was not meeting their fiduciary obligations under the Act.

The main focus of the allegations related to the internally managed real estate investments and the "I.F.Propco" investment corporations. The allegations precipitated the examination which focussed on the internally managed investments of CCWIPP

and was undertaken for the purpose of generally ascertaining compliance with the Act and the Regulation rather than as an examination related only to the allegations provided to FSCO. To the extent that FSCO found that any of the allegations had any merit, those findings are set out in the examination report dated May 2005 and this Addendum in the context of the findings of the more general compliance examination. While it is not FSCO's practice to specifically comment in a compliance examination on areas where a plan under examination is already in compliance, it is noted that FSCO staff have not uncovered any evidence to suggest that the remaining allegations can be substantiated.

When FSCO undertakes an examination related to specific investments, a process is undertaken with the intent of determining compliance with the Act and Regulation. The steps involve an initial written request for information to the administrator and a review of the information. If the initial review is not sufficient for FSCO to determine compliance with the Act and Regulation then an onsite examination will be undertaken. At the onsite examination, FSCO reviews all of the files related to identified activities and transactions. Following the onsite review FSCO summarizes the findings and a meeting is held to present the findings and permit additional input from the administrator. A draft report is prepared and issued to the administrator for comment related to the findings. Once the final comments are received the report is finalized and issued.

Due to the volume of the documentation which was responsive to the Superintendent's initial request, it was determined that the review of the material to be provided by the administrator would be combined with the onsite examination at the offices of CCWIPP in Campbellville, Ontario, Canada in 2004. This examination was followed by visits to various agents of the administrator. These onsite examinations were carried out pursuant to the authority granted under subsection 106 of the Act.

A draft report was prepared and issued in December 2004 and an interview to discuss the findings and the comments of the administrator was undertaken in February 2005.

The Report was prepared in March 2005 but not issued at that time as a result of the need to consult with FSCO's pension supervisory partners.

The Pension Examination Report of the Canadian Commercial Workers Industry Pension Plan (the "Report") was issued on May 17, 2005. The Report set out the findings and the basis of those findings as they related to the identified investments and any other findings and the basis of those other findings which were made during the examination.

It was noted that FSCO's findings reflected the documentation and information available to the examiners at the time the examination was undertaken. Subsequently, additional material was provided to FSCO and as provided in the Report, FSCO undertook to review the new submissions to determine if the matters identified in this

report have been or are being addressed and whether all compliance issues have been resolved.

When an examination report reveals issues of non compliance, the administrator is expected to take all steps necessary to bring the plan into compliance. However, this does not negate the prior issues of non compliance and FSCO must give consideration to the issues to determine if they are of sufficient severity to warrant further action under the Act. Further action may include prosecution under the Act.

A substantial number of documents were filed in response to first the draft report and the subsequent final report. FSCO had undertaken to review the material and to prepare an Addendum to the Examination Report to comment on the findings in light of the additional submissions made by and on behalf of the administrator.

General Comments

As noted in the Report, it is acknowledged that the Board of Trustees did take steps in April 2001 to focus on the active rebalancing of CCWIPP. It is further acknowledged that the Board continues to take steps to move a greater percentage of the internally managed assets to professional investment managers. As a result of these steps, the amount of assets in trustee directed investments and propcos was at 31% of the market value of the assets (37% at book value) as at December 2003 and declined further in 2004 to 22% of the market value (26% of book value) of the assets. Some of this decline has resulted from the write down and write off of some of the non performing assets. However, there has also been a decline as a result of the divestment of some of these investment vehicles.

In addition, the administrator has taken steps to establish new procedures for the oversight of both the internally managed as well as the externally managed investments.

As noted above, the Report reflects the findings at a specific point in time based on an analysis of the documentation in the context of the Act and the Regulation. Pension plans are not static, and activities continue after the examiners have completed their work. As in this case decisions are made to make changes to the processes in place as well as changes to the investment structure as a whole. This does not negate the findings resulting from the examination undertaken. As noted in the Report , “ the findings of this report, in part, reflect the historical record of activities related to the handling of certain of the investments of the pension fund. FSCO’s examiners documented their findings and made their conclusions based on the material available in the files at the time the examination was undertaken.”

The final report is prepared and issued setting out the findings and reporting on contraventions of the Act and Regulation. If as a result of the examination, the administrator changes a procedure to address an issue raised in the report or take

steps to bring the plan into compliance with the Act, Regulation or sound business practices, this item is still written up in the report since at the time of the examination, the Trustees were not following this practice. These findings are not removed from the report. Also, items that were missing and located after the Report was issued are still included in the report.

Some officers of the United Food and Commercial Workers (UFCW) also serve on the Board of Trustees of CCWIPP. In a recent article, published in the UFCW Canada Membership Magazine, Michael J. Fraser the National Director of the UFCW and a member of the Board of Trustees indicated that “the examination was undertaken as a result of malicious, unsubstantiated allegations made by unnamed complainants”. The communication went on to state that “The FSCO report concluded that while some minor administrative procedures may require updating, absolutely no instances exist (or ever have existed) to cause concern to any UFCW members with regard to the ongoing viability of CCWIPP.”

CCWIPP has stated that this communication represents the Union position and not CCWIPP’s.

However, FSCO is concerned that at least some of the members of the CCWIPP Board seem to be down playing the seriousness of the situation. While Mr. Fraser may characterize the allegations as “malicious” and “unsubstantiated”, the findings of the Report indicate that some of the allegations were not without merit. Some of the findings included contraventions under the Act and a lack of oversight leading to questions about the Board meeting their obligations under Section 22 of the Act. These are substantive findings. In addition, FSCO considers these findings to be more than “minor administrative procedures”.

The oversight of the investment committee by the Board appeared to be limited with no regular reporting on the rates of return being realized by the investments overseen by the Investment Committee. Benchmark Decision Ltd. was retained to track and report on the performance of the professional investment managers relative to set performance measures but the investments managed by the Investment Committee were not included in the reports and there were no established performance measures for them. The Investment Committee Minutes do not reveal the substance of any discussions pertaining to the investments. Non compliance with the PBA and the regulations was found. There appears to be activities which raise concerns that the conflict of interest provisions of the Act may have been contravened. Finally, there was no one individual or position designated by the Board with the responsibility to monitor all investments to ensure that they, in their totality, comply with all legislative requirements.

Part of the findings related to non compliance with the requirements to meet the statutory obligations in Section 22 of the PBA. In reviewing the statutory “prudent person” requirement for pension fund investments, FSCO’s focus is on the process

through which investment decisions were made, implemented and monitored, rather than on the performance of the actual investments. In determining whether an investment meets the “prudent person” requirement FSCO looked at the following:

When selecting the investment did CCWIPP:

1. Undertake a thorough, complete and independent investigation of the advantages and disadvantages of the particular investment prior to making the investment?
2. Investigate the merits of the investment/transaction with the view to satisfying prevailing industry standards?
3. Employ appropriate methods to evaluate and structure the investment?
4. Exercise due diligence in researching all aspects of the transaction?
5. Obtain sufficient information to make an informed decision about the investment?
6. Ensure that the information it relied on to make the decision to invest was complete and up-to-date?
7. Seek the advice and counsel of independent qualified experts and consultants, where appropriate? Did it provide complete and accurate information to the expert/consultant?
8. Exercise independent judgement and utilize acceptable standards in retaining and monitoring/supervising qualified experts and consultants?
9. Exercise independent judgement in relying on the advice given? Did it review the investment/transaction in an arm’s length fashion and compare it to other available options?
10. Assess whether the investment was reasonably designed to further the purposes/objectives of the plan and the plan’s funding policy?

After selecting the investment did CCWIPP:

1. Monitor the investment on a regular basis with reasonable diligence, to ensure that investments continue(d) to meet plan objectives and comply with legislative restrictions and continue to be prudent and, if necessary, to dispose of improper investments ?
2. Monitor the performance of the persons to whom it delegated investment

authority, including investment managers? Were adequate procedures implemented for the supervision of agents to whom fiduciary obligations were delegated? Did these procedures, among other things, measure progress in implementing the Plan's investment strategy, demonstrate management of the portfolio consistent with the Plan's objectives and funding policy and in ensuring that the financial position of the fund is sound?

3. Have an exit strategy to divest themselves of any investment? If so, was it followed?
4. Document all of the processes and decisions?

This is by no means an exhaustive list but does indicate some of the issues FSCO was attempting to address in its examination.

FSCO's findings indicate that CCWIPP did not meet these criteria in a number of investments reviewed.

Finally, FSCO wishes to emphasize that the findings of the Report, except as noted in this Addendum, are not changed by this Addendum. The issues brought to the attention of FSCO are, for the most part, issues about certain administrative issues. The substantive findings of the Report including the non compliance issues remain.

Legal counsel for the Board submitted a summary list of their position and the areas where the Report, in the opinion of the Board, contained "factual errors". These items are dealt with in the order noted in legal counsel's letter of September 9, 2005 in the body of this Addendum.

To each of the requests contained in the September 9, 2005 letter, FSCO has provided a response setting out the current position based on the review of the additional material filed. The synopsis of the communications by the parties contained in the balance of the Addendum is reproduced directly from the material prepared by CCWIPP and sent with legal counsel's September 9, 2005 letter. The section entitled "FSCO Response" sets out FSCO's current findings on the issue based on the material provided.

Item #1- Reference to Percentage of Funds Overseen by Board of Trustees

FSCO March 2005 Examination Report -"The main focus of FSCO's review was the approximately 45% (which was reduced to 31% as at December 31, 2003) of pension assets which include the real estate investments and the "I.F. Propco" investment corporations." (Page 3 -Paragraph 2)

"At present, the Investment Committee invests approximately 31% of the Plan's assets." (Page 47- Paragraph 5)

CCWIPP September 9,2005 Response -The reference on page 47 of the March 2005 Examination Report appropriately reflects the correct percentage of Plan's assets that include real estate investments and the "I.F. Propco" investment corporations at 31%. However, the reference on Page 3 continues to report an incorrect percentage calculation. Considering that at the time of the onsite examination, during the first quarter of 2004, the correct percentage was 31%, reporting any other calculation serves no purpose other than to confuse and/or mislead the reader.

The CCWIPP requests that the Addendum note that the 45% calculation is incorrect, and that at no time during FSCO's onsite examination were the assets referenced equal to this percentage.

FSCO's Response

In the introduction to the Report, FSCO refers to the approximately 45% of the assets invested under direct oversight by the Board of Trustees which had declined to 31% by December 31, 2003 with a further decline in 2004. These numbers arose from an analysis of the financial statements which indicated that the investments in the Propcos as set out in the following table. The files indicated that the Board retained responsibility for overseeing these investments.

The holdings in Propcos as disclosed in the audited financial statements are as follows:

% of Market Value	% of Book Value	Date
50.4%	46.2%	December 31, 1999
39.9%	44.1%	December 31, 2000
37.9%	43.9%	December 31, 2001
35.4%	42.9%	December 31, 2002
30.7%	37.3%	December 31, 2003
21.9%	25.9%	December 31, 2004

The Board of Trustees did take steps in April 2001 to focus on the active rebalancing of the CCWIPP pension fund. At December 31, 2000, the holding as a percentage of the book value of the pension fund was 44.1% and as a percentage of market value 39.9%. At December 31, 2003, the holdings as a percentage of the book value was 37.3% and as a percentage of market value 30.7%. FSCO's report did not reflect that the approximately 45% was based on the book value as at December 31, 2000. Nor did FSCO reflect that the 31% was based on the market value at December 31, 2003. On either measure, however, the percentages represent a significant portion of the assets of the pension fund.

It has been recognized that the Board continues to take steps to through asset sales move a greater percentage of the assets from the in house management to professional investment managers.

However, it should also be noted that some of the decline in these holdings has occurred not only as a result of sale of assets but in some part as a result of the bankruptcy of some of the original holdings as well as a write off and write down of the value of some of the investments.

Item 2 - Oversight of Investments

FSCO March 2005 Examination Report -"There were a number of examples of information that was required to be filed as a part of an agreement. The information was not in the files nor did there appear to be a follow-up process to ensure the information was provided." (Page 16- Paragraph 4)

"One of the investments is in the Jamaican Hilton Hotel. There were copies of notational letters in the file indicating that CIBC Securities were going to enforce their security against the property which may lead to foreclosure on the property. There was no documentation to indicate that the Board or the Investment Committee had taken any steps to identify what needed to be done to protect the pension fund's investment." (Page 54 -Paragraph 5)

"Evidence of the above was not in the files made available to FSCO at the time of the examination." (Page 55 -Paragraph 3)

CCWIPP September 9, 2005 Response - It was the expectation of the CCWIPP that the reference to missing documentation would be amended in the March 2005 Examination Report. FSCO examiner, Mr. David Stokes, confirmed such during the February 24, 2005 meeting after reviewing the documentation provided. A synopsis of the meeting dated March 11, 2005, which was received by FSCO, also supports this amendment.

However, the reference was not removed and more specifically, the March 2005 Examination Report included an additional note alleging that correspondence presented February 24, 2005 had not been previously available during the onsite examination. This is factually incorrect as this documentation was included in the files provided to FSCO during the onsite examination. When questioned by Mr. Stokes during the February 24, 2005 meeting, E. Fraser confirmed that the documents in question were contained in the Propco 41 general correspondence files which Mr. Stokes had reviewed, and there was no further discussion in this regard.

The CCWIPP requests that the Addendum reflect that the above references to missing documentation are factually incorrect and should have been deleted in the March 2005 Examination Report.

FSCO Response

The Report indicated that FSCO had not seen evidence that the Board of Trustees or Investment Committee was taking any action to identify what was needed to be done to protect the pension fund's investment. This finding arose out of an investment identified as the Jamaican Hilton Hotel. The file contained a letter dated July 31, 2002 issued by CIBC, indicating that CIBC was going to realize on their security unless they received an offer.

Initially the files contained no indication that any action had been taken in response to this letter. Subsequently, CCWIPP produced a letter dated August 2002 from RHK Capital Inc. (the borrower) stating that CIBC would not proceed without prior written approval of the Senior VP for CIBC International Banking.

At the time the initial letter was issued, normal lending/investment practices would have required that the advice to the effect that no further action would be taken would be received from the issuer of the demand letter and not from the borrower.

FSCO's concern about this issue is not solely that the letter from RHK Capital Inc. was not in the file, but that there was no documentation to indicate that the Board or the Investment Committee had taken steps to obtain independent written confirmation from CIBC that they were not proceeding to realize the security against the loan.

Moreover, FSCO is also concerned that there did not appear to be any process in place by which these types of issues would be routinely identified, followed up on and, if necessary, brought to the attention of the Board or the Investment Committee for action.

Item #3 - Investment in Real Estate

FSCO March 2005 Examination Report -"Non compliance with the Federal Regulation which provides that the administrator of pension plan shall not directly or indirectly invest more than 5% of the book value of the plan's assets in any one parcel of real property. " (Page 18- Paragraph 2)

"Subsequent to FSCO's examination, the external auditor BDO Dunwoody LLP, in a letter dated February 18, 2005 to Mark Zigler of Koskie Minsky, provided a recalculation of the above percentages. In this recalculation, the book and land value of the assets remains the same but the funds advanced to the "Hotel & Land" has changed, thereby lowering the percentages.

The reason given for the difference in percentages by D. Pang of BDO Dunwoody was that the audited financial statements did not include the accrued interest.

As mentioned above, FSCO's figures were taken from the Audited Financial Statements for the various years under the cost column, which included accrued interest. The auditor is now proposing to subtract the accrued interest from the outstanding balances. This would imply that the assets were overstated in the prior financial statements. Furthermore, the March 7, 2005 e-mail from D. Pang to B. McKay states that the accrued interest was included in the calculation of the ROA. Again, this would seem to imply that the income in the prior financial statements was overstated. For purposes of consistency, if the auditor intended to include accrued interest as part of the income, it should be excluded as part of the assets. The statements by the auditor raise concerns about the audited financial statements from 1997 -2003 and whether they need to be restated in their entirety." (Page 20- Paragraphs 1,3 & 4)

CCWIPP September 9, 2005 Response - It appears that in not accepting BDO's explanation, the FSCO examiners are being subjective in their interpretation of the appropriate accounting methodology. FSCO has not provided any support based on Generally Accepted Accounting Principles ("GAAP") to cause the CCWIPP to question the validity of BDO's calculations.

The CCWIPP requests that the Addendum reflect that FSCO was incorrect in its position and that all references to miscalculations on behalf of BDO should have been deleted in the Finalized Examination Report.

Please be advised that under separate cover, BDO will forward to FSCO an additional letter supporting their methodology.

FSCO Response

CCWIPP's auditors have provided calculations of the value of the Plan's investments for the purposes of determining compliance with the Federal Investment Rules including

the 5% and 10% rules. FSCO is satisfied, based on the calculations provided by the auditor, that CCWIPP has met the 5% rule. We note, however, that CCWIPP is not in compliance with the 10% rule even on the basis of the calculation provided by the auditor.

Moreover, FSCO is concerned that CCWIPP has not provided any documents to demonstrate that the Trustees had requested on a regular basis in the past the auditor or any other person provide similar calculations to confirm compliance with the applicable quantitative limits.

FSCO acknowledges that CCWIPP has indicated that this issue has now been addressed by the creation of a system of monitoring compliance through BDO Dunwoody, the auditor and Mr. Peter C. Arnold, CFA of Buck Consultants (the actuarial firm).

Item #4 - Caribbean Development

FSCO March 2005 Examination Report - To date, FSCO has not been provided with documentation demonstrating that the Board of Trustees have taken adequate steps in respect of the Caribbean Development to meet the fiduciary obligations as set out in section 22 of the Act." (Page 19- Final Paragraph)

CCWIPP September 9, 2005 Response - A meeting was held on March 24, 2005 at the offices of FSCO to discuss the status of the Caribbean Development. Present at the meeting on behalf of FSCO were Mr. David Gordon, Mr. Tom Golfetto, Mr. Anthony Benjamin, Ms. Lynda Ellis, Mr. David Stokes, Mr. Brad McKay and Mr. Larry Martello. During the meeting, a detailed presentation was made by resort property consultant, Mr. George Allen, providing full disclosure with respect to the current status of the prospective joint-venture partnerships for the various Bahamian investments.

FSCO has also received a three-inch binder (Volume 3-Appendix B to Mr. Zigler's May 6, 2005 letter to Ms. Ellis), the contents of which detail the steps taken by the Board of Trustees in respect of the Caribbean Development since April 2001. The documentation includes Investment Committee minutes, due diligence reports and business plans. Such evidence supports the fact that the Board of Trustees have received and reviewed due diligence materials, monitored these investments on a regular basis, and acted accordingly on the advice of third party experts.

However, despite having been provided with such an abundance of information detailing the CCWIPP's efforts to date in respect of the Caribbean Development, FSCO continues to make allegations that the Board of Trustees have failed to take adequate steps to meet their fiduciary obligations.

The CCWIPP requests that the Addendum reflect that FSCO had been provided with information prior to the issuance of the March 2005 Examination Report confirming that the Board of Trustees have taken numerous steps to meet their fiduciary obligation as set out in section 22 of the Act, and that the incorrect reference should have been deleted in the March 2005 Examination Report.

FSCO Response

In order to satisfy obligations under the Act to ensure that the fund is managed in a prudent manner, it is the responsibility of the administrator to undertake a full due diligence process before undertaking any investment/loan.

The issue in this item is the RHK loans and the Caribbean Development. It appears that the persons (Mr. Clifford Evans and Sisu Onni Inc.) who issued most of the commitment letters for the RHK loans were aware of this need for due diligence since most letters stated that a condition precedent to advancing funds was that a due diligence review would be done and be satisfactory to CCWIPP. Since the examination

CCWIPP has provided us with considerable information on the workout plans for these investments.

However, the information on workout solutions occurred after the investment was undertaken rather than the required due diligence reviews that should have been done before the investments were approved and made.

FSCO continues to be of the opinion that no documentation demonstrating that the Board of Trustees had taken adequate steps to complete a proper due diligence review in respect of the Caribbean Development **prior** to undertaking the investment exists.

Item #5 - Real Estate Holdings Quantitative Limits

FSCO March 2005 Examination Report -"FSCO's prior position remains unchanged. These investments were originally mortgages and/or debentures and should be included in the total real estate holdings. Furthermore, there is no indication that these mortgages and/or debentures have not been released. Therefore, FSCO takes the position that the real estate holdings for December 31, 2004 should include the Caribbean properties."

CCWIPP September 9, 2005 Response - It appears that in not accepting BDO's explanation, the FSCO examiners are being subjective in their interpretation of the appropriate accounting methodology. FSCO has not provided any support based on Generally Accepted Accounting Principles ("GAAP") to cause the CCWIPP to question the validity of BDO's calculations.

The CCWIPP requests that the Addendum reflect that FSCO was incorrect in its position and that all reference to miscalculations on behalf of BDO should have been deleted in the Finalized Examination Report. In addition, the CCWIPP requests that the Addendum include an acknowledgment that the issue of whether mortgages or debentures constitute real estate is unclear in the Federal Regulation, and further clarification regarding this issue is required. The Addendum should also note that the 2004 CCWIPP Financial Statements have been filed with FSCO (a copy of which is attached) confirming that the Fund is operating within the 25% quantitative limitation. As at December 31, 2004, real estate holdings, including mortgages and debentures, constitute 23.56% of the Fund's book value.

The CCWIPP requests that the Addendum reflect that FSCO was provided with this documentation prior to the issuance of the March 2005 Examination Report, and that the reference to missing files should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO has included the Caribbean Development as part of the 25% real estate holdings based on the original purpose of the investments. CCWIPP is now stating that these should be removed based on BDO's comments that such investments are in securities of PRK Holdings which, in turn, are held in the propcos rather than as real estate investments. However, the quantitative limit in Section 10(1) of the Federal Investment Regulations specifically includes indirect investments in real estate. Accordingly it is FSCO's view that the investment in shares of an entity which, in turn, holds real estate is a real estate investment for the purposes of Section 10(1). FSCO also notes that the original mortgage/debenture security obtained by Propcos 34, 39, 41, 44 and 46 remains in place and continues to secure obligations (see Item 11 below).

We remain, therefore, of the opinion that the Caribbean properties are real estate

holdings and that the applicable quantitative limits have been exceeded. Such investments are to be included as part of the real estate holdings in the calculations for December 31, 2005 and future audited financial reports. If they have not already done so, the 2004 audited financial statements should be reviewed to determine if they include the Carribean properties as referred to above.

Finally, FSCO also requires a detailed list of all properties that comprise the Carribean properties.

Item #6 - Real Estate Corporations

FSCO March 2005 Examination Report -"There was insufficient documentation in the files, at the time of the examination, and the administrator was unable to produce such documentation in order for FSCO to determine if the Propcos under review were intended to be structured as real estate corporations or investment corporations or some other entity for purposes of the Act and Regulation... " (Page 23- Paragraph 1).

CCWIPP September 9, 2005 Response - FSCO was previously provided with a letter from Mr. Hall of Loopstra Nixon dated March 7, 2005 (contained as Exhibit 16 to Mr. Zigler's March 11, 2005 letter to Ms. Ellis) prior to the issuance of the March 2005 Examination Report, confirming the structure of the Propco's as Investment Corporations, or in a few instances, Real Estate Corporations.

FSCO Response

On March 8, 2005 FSCO received a letter from Mr. Zigler with undertakings for Real Estate Corporations for the following five Propcos, #5, #6, #7, #31, and #48. There were no undertakings for the Propcos holding the Caribbean properties. At the same time, undertakings were submitted for a number of Propcos as Investment Corporations. These undertakings were dated March 7, 2005.

The filing of undertakings is a requirement of the Federal Investment Regulations. Although these regulations were not adopted by Ontario until 2001, they were adopted by Alberta, the prior regulator, before the investments were undertaken. There is no indication that such undertakings were filed while CCWIPP was registered in Alberta.

The issue for FSCO is that the administrator had not ensured that there was an individual or a department who was responsible for ensuring that the compliance requirements were addressed. CCWIPP has indicated that a system of monitoring compliance has been implemented through BDO Dunwoody, the auditor and Mr. Peter C. Arnold, CFA of Buck Consultants (the actuarial firm).

CCWIPP has taken the position that the investments are real estate corporations as well as investment corporations and have filed a number of undertakings with FSCO.

The original investments undertaken by some of the Propcos involved the development of real estate. Subsequently, there were restructuring of some of the investments to move away from the direct real estate holding. FSCO has requested documentation to support the position that the investments are real estate corporations or investment corporations. FSCO has requested this information to independently verify the status of these investment vehicles initially and subsequently. To date FSCO has not received copies of the initial articles of incorporation, an analysis of how these investments met at the time of implementation and, continue to meet after restructure, the definition of

an investment corporation or real estate corporation. The issue is one of FSCO coming to an independent conclusion that the required undertakings have been filed for each entity.

Finally, it should be noted that item #1 in each undertaking states that CCWIPP will file financial statements or audited financial statements as the Superintendent directs for each of the investments in question. In view of this, we ask that CCWIPP file these statements as a part of their audited financial statements as at December 31, 2005 and, thereafter, on an annual basis.

We also require that FSCO be provided with copies of the documentation that has been requested to independently verify the status of the investment and real estate corporations.

Item #7 - World Blend

FSCO March 2005 Examination Report -"FSCO has been informed that some time in 2003 the company (World Blend) has filed an assignment in bankruptcy." (Page 25 - Paragraph 2)

"In a subsequent submission, FSCO was advised that it was the Propco lending to World Blend that petitioned the court to approve the appointment of a receiver to take possession and control of the business operations of Blend Inc. The Receiver operated the business for a period of time and ultimately wound up the operations of the business, and liquidated the assets of the company, which were pledged as security for indebtedness to the Propco. A Stipulation for Judgment was issued by the court in favour of Propco against the company. The Receiver disbursed to Propco all of the cash proceeds of the receivership estate, less administrative expenses." (Page 25 - Paragraph 3)

CCWIPP September 9, 2005 Response - FSCO acknowledges in the March 2005 Examination Report that it was Propco who petitioned the court to appoint a receiver, after having been provided with documentation confirming such (contained as Appendix B, Exhibits 1-5 to Mr. Zigler's March 23, 2005 letter to Ms. Ellis). However, the incorrect reference claiming that World Blend had filed an assignment in bankruptcy remains uncorrected. Not deleting this factually incorrect reference serves no purpose other than to confuse and/or mislead the reader.

The CCWIPP requests that the Addendum reflect that the bankruptcy reference was factually incorrect and should have been deleted in the March 2005 Examination Report. The CCWIPP also requests that the Addendum identify the party who incorrectly informed FSCO that sometime in 2003, World Blend had filed an assignment in bankruptcy.

FSCO Response

FSCO acknowledges that the following sentence should have been deleted from Page 25, paragraph 2, 2nd sentence of the Report:

"FSCO has been informed that sometime in 2003, the company filed for an assignment into bankruptcy"

Item #8 - Wayne Hanley

FSCO March 2005 Examination Report -"Mr .Hanley is a member of the Board of Trustees of CCWIPP. CCWIPP's assets are partly comprised of holdings in the AFM Hospitality Corporation. There was no indication in the documentation that this apparent conflict of interest was disclosed to the Board of Trustees.

Subsequently, FSCO was advised that Mr. Hanley had resigned as director and that AFM had been petitioned into receivership by CCWIPP." (Page 31 -Paragraphs 5 & 7)

CCWIPP September 9, 2005 Response - FSCO was previously provided with documentation (contained as Item 5 to Mr. Zigler's January 27,2005 letter to Ms. Ellis) confirming that Mr. Hanley's position as a member of the AFM Board of Directors was disclosed to the Board of Trustees on multiple occasions and recorded in the Board of Trustee minutes, and measures were put in place by the Board to prevent a conflict of interest from occurring.

FSCO's inclusion of a new reference to Mr. Hanley's resignation and AFM's receivership serves only to confuse and/or mislead the reader into assuming that these events are associated with FSCO's allegations. Mr. Hanley's resignation and the CCWIPP's petition to put AFM into receivership are unrelated to FSCO's conflict of interest allegations. Furthermore, this is another example of FSCO selectively including certain information obtained after the March 2005 Examination Report had been finalized in March 2005.

The CCWIPP requests that the Addendum reflect that the FSCO was previously provided with documentation indicating that the potential conflict was addressed, disclosed to the Board of Trustees and recorded in the Minutes, and that the conflict of interest reference above should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO acknowledges that Mr. Hanley has taken steps to declare his conflict in any matter related to AFM and has not been involved in any voting relating to matters involving AFM.

Mr. Hanley was on the Board of Directors of AFM prior to the investment by CCWIPP. Following that investment he was appointed as a trustee to the CCWIPP Board. Throughout his membership on the CCWIPP Board he retained his membership on the AFM Board. As opposed to Mr. Fraser, he was not sitting on the Board of AFM to represent the interests of CCWIPP. In addition, while CCWIPP has advised that Mr. Hanley was not present when matters relating to AFM were discussed by the CCWIPP

Board of Trustees, FSCO has not been advised whether or not Mr. Hanley was present when the AFM Board of Directors discussed matters related to CCWIPP. FSCO requires that CCWIPP provide information concerning this point.

Item #9 - Eugene Fraser

FSCO March 2005 Examination Report -"Eugene Fraser is a member of the Board of Directors of AFM Hospitality Corporation. Fraser is an employee of CCWIPP indirectly through I.F. Propco 100 (ON) Ltd... Mr. Fraser has been provided with some stock options by AFM Hospitality Corporation. There is a potential for a conflict of interest contrary to subsections 22 (9) and (10) of the Act and sections 16 and 17 of the Federal Regulation. There was no indication in the documentation that this apparent conflict of interest was disclosed to the Board of Trustees.

Subsequently, FSCO was advised that ...Mr. Fraser had resigned as director and that AFM had been petitioned into receivership by CCWIPP." (Page 31 -Paragraphs 2 through 7)

CCWIPP September 9, 2005 Response - FSCO was previously provided with documentation (contained as Item 6 to Mr. Zigler's January 27,2005 letter to Ms. Ellis) confirming that Mr. Fraser's membership on various boards of directors was disclosed to the Investment Committee of the Board of Trustees on multiple occasions, and that any remuneration received from sitting on such boards is deemed to be in lieu of any salary increase for Mr. Fraser's additional employment duties.

Given that Mr. Fraser is an employee of the CCWIPP, abiding by the terms of his employment contract (which includes the requirement of assuming additional duties to sit as nominee of CCWIPP on various boards of investee corporations and receiving compensation for doing so), there is no breach of the Ontario Pension Benefits Act ("PBA ") or Federal Regulation for carrying out his assigned duties and responsibilities. Under the PBA, Mr. Fraser, as a CCWIPP employee is considered an Agent. In Mr. Fraser's case, he was receiving reasonable fees for his services, which is permitted under Section 22, sub-paragraph 11 of the PBA. This cannot constitute a potential breach of Section 22, sub-paragraph 9 and 10 as alleged on page 31 of the March 2005 Examination Report. Further, payment of reasonable remuneration to Mr. Fraser for his services to the CCWIPP is clearly within the transactions permitted under Section 17 of the Federal Regulation. FSCO's inclusion of a new reference to Mr. Fraser's resignation and AFM's receivership serves only to confuse and/or mislead the reader into assuming that these events are associated with FSCO's allegations. Mr. Fraser's resignation and the CCWIPP's petition to put AFM into receivership are unrelated to FSCO's conflict of interest allegations. Furthermore, this is another example of FSCO selectively including certain information obtained after the March 2005 Examination Report had been finalized in March 2005.

The CCWIPP requests that the Addendum reflect that the FSCO was previously provided with documentation indicating that the potential conflict was addressed, payments for services did not violate the PBA or the Federal Regulation, and that the conflict of interest reference above should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO is not satisfied that Mr. Fraser is an agent of CCWIPP as the term is used in section 22 of the Act. Rather, Mr. Fraser is an employee, a status which is distinct from that of agent by virtue of the wording of Section 22(8) of the Act. As an employee, Mr. Fraser is entitled to receive his salary for services rendered. He should not be receiving other fees and entitlements other than his salary and his employment contract should reflect this.

FSCO notes that Mr. Fraser is no longer a director of AFM (although CCWIPP has indicated that his resignation was not related to FSCO's concerns about conflict of interest). Accordingly, the particular issue respecting the AFM directorship does not continue to be at play.

Item #10 - Caribbean Investment Chart

FSCO March 2005 Examination Report -The FSCO March 2005 Examination Report's Appendix A-I continues to erroneously include Propco 36 as part of the Caribbean Development.

CCWIPP September 9, 2005 Response - During the February 24, 2005 meeting, documentation was provided to FSCO confirming that Propco 36 is unrelated to the Caribbean Development and that Propco 39 (which was excluded) is part of the Caribbean Development. In summary:

- Propco 36 is not part of PRK, nor is it a Caribbean property,
- Propco 39 has been omitted but is part of PRK.

The incorrect flowchart has been published on the Internet and in nationally circulated newspapers in Canada and the Bahamas. This has led to numerous complications in negotiations with prospective purchasers and joint-venture partners for the Caribbean properties, and has caused our primary lenders to question, for securitization purposes, why the involvement of Propco 36 was not disclosed at the time the original financing was approved.

The CCWIPP requests that the Addendum reflect the above corrections, and acknowledge that FSCO had previously been provided with this clarification prior to the issuance of the March 2005 Examination Report.

FSCO Response

The chart was amended to show the correct ownership of the Jamaican properties and a revised chart is attached to this Addendum. Propco #36 has been changed to Propco #39.

FSCO did not state that 1328434 Ontario Ltd had any control over the operation of the various companies but is shown only as a lender. The chart now shows this.

On December 31, 2000, I. F. Propco Holdings (Ontario) 34, 39, 41, 44 and 46 Ltd. entered into a Voting Trust Agreement with RHK Capital Inc. on shares of PRK Holdings Ltd. PRK Holdings Ltd. is incorporated in the Bahamas with an authorized capital of US\$50,000,000. This is divided into the 500,000,000 shares with a par value of US\$0.0001 consisting of:

Number	Shares Class	Owner
43,533,933	Class "A" Preference Shares	I. F. Propco Holdings (Ontario) 34 Ltd.
20,876,059	Class "B" Preference Shares	I. F. Propco Holdings (Ontario) 39 Ltd.
8,262,059	Class "C" Preference Shares	I. F. Propco Holdings (Ontario) 41 Ltd.

14,897,407	Class "D" Preference Shares	I. F. Propco Holdings (Ontario) 44 Ltd.
5,943,829	Class "E" Preference Shares	I. F. Propco Holdings (Ontario) 46 Ltd.
229,216,346	Common Shares	RHK Capital Inc.

Under this agreement, which expires December 31, 2006, RHK Capital has assigned its voting rights to the various I. F. Propco Holdings companies. This agreement is renewable for another term up to 5 years at the option of the I. F. Propco Holdings companies. Upon expiry of this agreement, the common shares will revert back to RHK Capital Inc. who will then control the company that owns the assets.

With respect to the security on the Bahamian properties, FSCO has seen legal opinions that such security represented legal and valid security for the original loans. When the restructuring took place in 2000, the lending Propco's replaced their outstanding loans to RHK Capital Inc., a Canadian Company, with shares in PRK Holdings, a Bahamian company. The original debentures clearly indicated the purpose for which the debentures were issued and now the structure of the loans have changed drastically, in fact, the loans with mortgage security have been replaced by preferred shares. We did not see any amendments to the debentures transferring these as security for preferred shares, if this type of transfer is allowed. We have also not seen a legal opinion from the Bahamas that clearly states that CCWIPP can realize on the prior security on the basis of the restructuring.

Item #11 - PRK Holdings - Promissory Notes

FSCO March 2005 Examination Report -"This additional information was not in the files or made available to FSCO's examiners and copies of the promissory notes should be included with the examination reply." (Page 41 -Paragraph 6)

CCWIPP September 9, 2005 Response -The promissory notes (as are all legal documents) were filed at the offices of the CCWIPP's legal counsel, Loopstra Nixon for security purposes, as per the CCWIPP's standard practice. At no time during the onsite examination did the FSCO examiners request this documentation.

During the February 24, 2005 meeting, the FSCO examiners requested the promissory notes and copies were provided prior to the issuance of the March 2005 Examination Report (contained as Exhibit 17 to Mr. Zigler's March 11, 2005 letter to Ms. Ellis.)

The CCWIPP requests that the Addendum reflect that the Promissory Notes were provided to FSCO, as requested, prior to the issuance of the March 2005 Examination Report.

FSCO Response

When the original advances were made to RHK Capital, the end users all guaranteed the payment of debt and issued debenture security. The debentures clearly state that the debentures were securing the guarantee on loans by CCWIPP to RHK Capital, a Canadian company. Under the restructuring agreement, which expires December 31, 2006, RHK Capital has assigned its voting rights to the various I. F. Propco Holdings companies. This agreement is renewable for another term up to 5 years at the option of the I. F. Propco Holdings companies. Upon expiry of this agreement, the common shares will revert back to RHK Capital Inc. who will then control the company that owns the assets.

When FSCO visited Pension Benefits Administration Services, the body responsible for the day to day operation of the CCWIPP, it was noted that new advances were being done. CCWIPP advised in the February meeting that these were shareholder loans and provided FSCO with copies of various promissory notes. At the time of FSCO's examination several requests were made that all material and documentation be made available. When FSCO arrived onsite it was confirmed that this was all of the material available; however, it appears from CCWIPP's comments that this was not correct. It appears that these promissory notes were not a part of the files nor was there any reference to indicate that they existed.

Item #12 - Caribbean Properties in Insolvency

FSCO March 2005 Examination Report -"In addition, there are indications that some of the Caribbean Development properties have been closed." (Page 41- Paragraph 7)

CCWIPP September 9, 2005 Response -FSCO was provided with the above explanation during the February 24, 2005 meeting, and a synopsis of that discussion was included in Mr. Zigler's March 11, 2005 letter to Ms. Ellis. Rather than amending the March 2005 Examination Report per this explanation, FSCO's revision notes "there are *indications* that some of the properties... have been closed" confusing the reader as to whether or not the resort has been closed and for what reasons.

The CCWIPP requests that the Addendum reflect that FSCO was previously informed of the reasons why the resort was closed by the CCWIPP, with an explanation that the closure was a prudent decision to protect the assets of the Fund. Furthermore, the CCWIPP requests that the Addendum reflect that the CCWIPP is currently proceeding to redevelop the properties in association with Joint-Venture Partners and have engaged experienced industry consultants to represent the Fund during the redevelopment process.

FSCO Response

We acknowledge that CCWIPP had advised us at the February 2005 meeting that the Caribbean property had been closed to save some \$3 million in operating losses until such time as a work out solution could be finalized and agree that the relevant paragraph should have been revised to reflect this fact.

Item #13 - SIP & P Food Processing

FSCO March 2005 Examination Report - "Investments shall not be made in food processing , food distribution or food retailing business. The Investment Committee has been investing in companies contrary to the SIP&P ie: Purely Supreme Foods and Sea King Fisheries." (Page 50 - Paragraph 3)

CCWIPP September 9, 2005 Response - FSCO was previously provided with documentation (contained as Item 7 to Mr. Zigler's January 27, 2005 letter to Ms. Ellis), including copies of Investment Committee minutes, confirming that Trustee Directed Investments are not subject to the food industry restrictions established for professional Investment Counsellors. Section G of the SIP&P includes a clause prohibiting *Investment Counsellors* from investing in a company in the food industry to prevent an inadvertent investment in the securities of a contributing employer to the CCWIPP. Such a restriction, however, does not apply to Trustee Directed Investments given the Board's direct knowledge of the individual participating employers.

The CCWIPP requests that the Addendum reflect that the issue of prohibition of investments in the food industry was previously clarified for FSCO prior to the issuance of the March 2005 Examination Report, and that the factually incorrect reference above should have been deleted in the March 2005 Examination Report.

FSCO Response

In the Report FSCO indicated that the Investment Committee had made investments in the food industry contrary to the SIP&P. The SIP&P specifically prohibits the Investment Counsellors from making these investments. However, FSCO acknowledges that there is no reference in the SIP&P to the same standard applying to the Investment Committee. In addition, there is no reference to what investments the Investment Committee can or cannot make.

A SIP&P is designed to set overriding investment policies for the pension fund.

Since it appears that there are two sets of policies related to investments, one for the Investment Counsellors and one for the internally supervised investments, the SIP&P should have reflected this.

Therefore, FSCO acknowledges that the reference to the investment in food processing contrary to the SIP&P should not have been included. However, FSCO would have expected that where there are different standards for the professional investment counsellors that do not apply to the internal investment management group this difference would have been properly communicated in the SIP&P.

Item #14 - Valuations of Property

FSCO March 2005 Examination Report -" Appraisals should also be updated on a periodic basis depending on various external factors, such as inflation, industry, etc. There was no documentation to indicate that appraisals were requested on a periodic basis.

Finally, there was no indication that the Investment Committee had asked for independent arms length appraisal to be provided on any of the properties.

CCWIPP has subsequently advised that their auditor BDO Dunwoody LLP, requires CCWIPP to appraise properties on a three year cycle, a practice which CCWIPP is currently following. This practice contravenes the SIP&P provided to FSCO's examiners that required annual valuations" (Page 56 -Paragraphs 3, 4 & 5)

CCWIPP September 9, 2005 Response - During the February 24, 2005 meeting, the FSCO examiners were provided with copies of thirty-eight appraisals dated from 1998 through 2004 confirming that the CCWIPP's standard practice is to obtain independent arms length appraisals for each property on a three-year revolving basis.

With respect to the addition of a fifth paragraph on page fifty six of the March 2005 Examination Report, FSCO fails to distinguish between the terms "*Appraisal*" and "*Valuation*". On three separate occasions, FSCO was previously provided with in-depth explanations of these practices (1. Exhibit 8 to Mr. Zigler's January 27, 2005 letter to Ms. Ellis; 2. during the February 24, 2005 meeting; 3. in a synopsis of the February 24, 2005 discussion, included in Mr .Zigler's March 11, 2005 letter to Ms. Ellis). To re-iterate, the practice as outlined in the SIP&P requires that:

"Real estate investments shall be initially valued at cost and thereafter in accordance with the value determined by the Investment Counsellor responsible for the investment in accordance with the rules established by the Committee. Real estate investments shall be so valued annually." (SIP&P -Page 11, Point 20)

Per the recommendation of BDO, the CCWIPP requires the properties to be *appraised* on a three-year revolving basis by independent third-party appraisers. This process is separate from the *valuation* requirement contained in the SIP&P. As required, the Fair Market Values for each property are reported annually in the CCWIPP Financial Statements.

The CCWIPP requests that the Addendum reflect that from 1998 through 2004, there were 38 separate appraisals conducted for the various CCWIPP real estate investments. In addition, the CCWIPP requests that the Addendum reflect that Section 2.5 is factually incorrect and that all reference to contravention of appraisal/valuation procedure should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO acknowledges the 38 appraisals provided at the February 2005 meeting.

Of these appraisals, CCWIPP has indicated that two were addressed to third parties. During FSCO's initial review of the files it was determined that two of the Caribbean property appraisals were addressed to third parties. With a review of all of the remaining appraisals FSCO saw at least five appraisals addressed to third parties.

CCWIPP's SIP&P does not make it clear what type of appraisals/valuations will be required nor when formal appraisals will be required. In addition, FSCO was not provided with any documentation to indicate that formal valuation guidelines or rules (as established by the Investment Committee in accordance with the SIP&P) did exist and were being followed. CCWIPP did indicate that the investment counsellors are responsible for the valuations in years where formal appraisals are not obtained, however, the onsite review indicated the appraisals/valuations were being done by the investment committee members. In addition, copies of any formal rules, policies and procedures related to the appraisals/valuations were not made available. It does raise a concern that CCWIPP appears to have been relying on valuations done by the investment committee members who were several thousand miles away from the properties in question.

When independent appraisals by professional appraisers were undertaken the values of the assets were revised and some investments were written down or written off.

FSCO considers that regular appraisals by independent professional appraisers to be one of those due diligence exercises that a Board would require in order to demonstrate their compliance with their obligations under Section 22 of the Act. FSCO's expectation is that the Board would establish a clear policy about appraisals and there would be documentation in place to ensure that the policy is implemented and followed. Such processes would also address the steps to be taken for purposes of verification when an appraisal is addressed to a third party.

Item #15 - Signed Documents Missing From Files

FSCO March 2005 Examination Report -"In FSCO's review, it was noted in several cases that the file contained draft documents. FSCO was unable to determine if this was the final adopted version. As a lender or investor, it is expected that there would be signed copies of all documentation in the file. In addition, there was no documentation to indicate that such signed documents had been requested.

It is also expected that the documents would be kept in a locked fireproof area. There was no indication that this is the case with these documents." (Page 57 -Paragraphs 1 & 2)

CCWIPP September 9, 2005 Response -At no time during the onsite examination did the FSCO examiners request this documentation. FSCO was provided with the above explanation during the February 24, 2005 meeting, and a synopsis of that discussion was included in Mr. Zigler's March 11, 2005 letter to Ms. Ellis. Despite acknowledging that the above explanation was sufficient, FSCO did not delete this reference from the March 2005 Examination Report.

The CCWIPP requests that the Addendum reflect that Section 2.6 is factually incorrect and that all reference to signed documentation not being on file should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO acknowledges CCWIPP's comments that the signed documents were at the lawyer's office; however, FSCO's expectation was that they would be available for the onsite review or alternatively that the file would contain copies of the signed documents. Normal practice would indicate that when original documents are maintained at off-site locations, copies of such signed documents are kept in the working files and all draft documents are destroyed or removed from the files.

Item #16 - Polley, Martini and Irvine

FSCO March 2005 Examination Report – “During FSCO's review of various files it was noted that William Polley, Peter Martini and John Irvine were involved in more than one company.

It is unclear if these individuals are related parties for purposes of the Federal Regulation nor is there any indication of their relationship to CCWIPP. There is no documentation to indicate that the related party issue or any potential conflicts of issues have been identified or addressed.” (Page 59- Paragraphs 1 & 5)

CCWIPP September 9, 2005 Response -A full and complete summary of Mr. Martini's relationship with the CCWIPP was provided to the FSCO examiners during the February 24, 2005 meeting, including evidence of disclosure to the Investment Committee and subsequently, the Board of Trustees, of Mr. Martini's interest in BC Belting. Additionally, FSCO was previously provided with the above explanation regarding Mr. Polley, and Mr. Irvine's relationship with the CCWIPP, contained in Mr. Zigler's March 11, 2005 letter to Ms. Ellis. To the extent that Mr. Irvine currently provides consulting services to the CCWIPP, he receives reasonable compensation as permitted under the PBA and the Federal Regulation.

The CCWIPP requests that the Addendum reflect that FSCO had previously been provided with documentation confirming that the potential conflicts had been addressed and that the above references should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO agrees the reference to this point should have been deleted from the Report.

Item #17 - Martini

FSCO March 2005 Examination Report -"Mr. Martini is the president of CIBO.

On February 24, 2005, information was provided to the examiners indicating that Mr. Martini is not the president of CIBO. It was also confirmed that Mr. Martini provides advice to CIBO and does not receive compensation from CIBO." (Page 59 -Paragraphs 3&4)

CCWIPP September 9, 2005 Response - As the March 2005 Examination Report indicates, FSCO was previously provided with evidence that Mr. Martini is not, nor has ever been the president of CIBO. Having acknowledged such, this reference should have been deleted in its entirety. Not deleting this factually incorrect reference serves no purpose other than to confuse and/or mislead the reader.

The CCWIPP requests that the Addendum reflect that FSCO was incorrect in including any reference to Mr. Martini being the president of CIBO, and such reference should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO concurs that Mr. Martini was not the President of CIBO; however, he was an officer and the report should reflect this change by deleting President and replacing with Officer on page 59.

Item #18 - Propco 46

FSCO March 2005 Examination Report -"Propco 46 transferred its shares in Crane and Chimo to PRK and received certain shares in PRK Holdings." (Page 65 -Paragraph 2)

"Also as noted above, that while Propco 41 and 46 loans were not restructured they did receive preference shares." (Page 66- Paragraph 2)

CCWIPP September 9, 2005 Response - FSCO was provided with the explanation that Propco 46 was issued preference shares for PRK equal to the amount of principle and accrued interest outstanding on the Propco loan at the time of the restructuring, Confirmation that the ownership of Crane Ridge and Chimo was not transferred to PRK was also provided during the February 24, 2005 meeting, and a synopsis of that discussion was included in Mr. Zigler's March 11, 2005 letter to Ms. Ellis. During the meeting, the FSCO examiners agreed to amend the report to reflect this correction. However, rather than deleting the incorrect reference, FSCO included a brief reference a page later indicating the original statement was incorrect. Not deleting this factually incorrect reference serves no purpose other than to confuse and/or mislead the reader.

The CCWIPP requests that the Addendum reflect that the original reference indicating a transfer of Crane Ridge and Chimo shares was incorrect and should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO agrees that although Propco 46 received preference shares of PRK equal to the amount of principle and outstanding interest on the Propco loan at the time of the restructuring, the ownership of Crane Ridge and Chimo was not assigned to Propco 46 as indicated in the Report.

Item #19 - Legal Opinion from Caribbean Counsel

FSCO March 2005 Examination Report -"CCWIPP has also advised that they have obtained a legal opinion from the Caribbean counsel indicating that they are not aware of any impediment to the Propco company holding such mortgage/debentures from initiating collection proceedings or exercising its mortgage enforcement remedies with respect to those mortgages/debentures. A copy of this legal opinion has been requested." (Page 66 -Paragraph 3)

CCWIPP September 9, 2005 Response - FSCO was previously provided with this documentation prior to the issuance of the March 2005 Examination Report. Please refer to Exhibits 1 - 15 to M. Zigler's March 11, 2005 correspondence.

The CCWIPP requests that the Addendum reflect that documentation was provided prior to the release of the March 2005 Examination Report, including legal opinions confirming that no impediments exist preventing the Propcos from initiating collection proceedings or exercising their mortgage enforcement remedies with respect to the Caribbean mortgages/debentures.

FSCO Response

There were various issues surrounding the referred to transaction. FSCO has asked for copies of legal opinions related to these issues.

CCWIPP provided legal opinions, indicating that the giving of various debentures/mortgages were legally binding however, the debentures clearly indicated the purposes of the debentures. For example, the debenture on British Colonial Hotel was issued in support of the guarantee given to CCWIPP to secure the loan(s) to RHK Capital, a Canadian company.

Under the restructuring, the loans to RHK Capital were repaid and the new evidence of debt was the shares held in PRK Holdings, a Bahamian company. When restructuring loans, it is normal practice to obtain new security or at least obtain an amendment to existing security to reflect the restructuring. FSCO has requested a copy of the legal opinion indicating that the security can be enforced in light of the fact that the original transaction has been restructured. Such an opinion has not been provided to date although indications were made that such an opinion exists.

In addition, FSCO is concerned that shares are equity and it is unclear how CCWIPP can obtain or act on security reportedly backing an equity issue. This matter needs to be fully explained and detailed, supported by legal opinion(s) that provide evidence that clearly addresses all the issues of equity versus loans supported by security to two different companies in two different countries.

Item #20 - Pensites

FSCO March 2005 Examination Report -"CCWIPP provided information on February 24, 2005 that confirmed the purchase price of \$965,000. As well, CCWIPP confirmed that \$515,000 (\$500,000 principle and \$15,000 in interest) was applied to the industry fund in connection with the Liftlock Golf Course project." (Page 73 -Paragraph 3)

CCWIPP September 9, 2005 Response - FSCO was previously provided with documentation prior to the issuance of the March 2005 Examination Report (contained as Tab A to Mr. Zigler's March 23, 2005 letter to Ms. Ellis), which provided an in-depth explanation clarifying the above statements and confirming that Pensites received a fair market value consideration when the CCWIPP purchased its 15% share in the investment.

The CCWIPP requests that the Addendum reflect that the FSCO examiners were provided with the appropriate documentation prior to the issuance of the March 2005 Examination Report, and that the incorrect references above should have been deleted in the March 2005 Examination Report.

FSCO Response

FSCO agrees that the documentation supporting the fair market value for Pensite was provided before the Report was issued. FSCO has no further comment concerning this issue.

Item #21 - Case Financial

FSCO March 2005 Examination Report -"The Investment Committee minutes of November 23, 2002, indicated that funding for Case would be conditional upon Goodman and Company being provided with the opportunity to invest \$6 million into Case. As well, it was our understanding that CCWIPP or Propco 32 would be able to nominate an individual to the Board of Directors of Case. We saw no documentation on file to confirm these conditions were met or waived." (Page 75 -Paragraph 4)

"Documentation was provided in 2005 indicating that Goodman and Company, Investment Counsel Ltd. declined the opportunity to invest in Case because of a conflict of interest." (Page 76- Paragraph 3)

CCWIPP September 9, 2005 Response - FSCO acknowledges that documentation was provided prior to the issuance of the March 2005 Examination Report confirming these conditions were met (contained as Exhibit 21 to M. Zigler's March 11, 2005 letter to Ms. Ellis). However, rather than deleting the incorrect reference, FSCO included a brief reference four paragraphs later indicating the original statement was incorrect. Not deleting this factually incorrect reference serves no purpose other than to confuse and/or mislead the reader.

The CCWIPP requests that the Addendum reflect that the original reference is incorrect and should have been deleted in the Finalized Examination Report.

FSCO Response

The reference to Goodman should remain in the report as the evidence was not obtained until after the examination. FSCO acknowledged the information in the Report but the information should have been on file at the start of the examination.

Item #22 - Case Financial

FSCO March 2005 Examination Report -"FSCO examiners have subsequently been advised that no new funds have been provided to Case since those advanced by Propco 24 and 25 in 2003." (Page 76 -Paragraph 5)

CCWIPP September 9, 2005 Response - FSCO was provided with documentation contained in M. Zigler's March 11, 2005 letter to Ms. Ellis confirming that the last funding advance to Case Financial was through Propco 32, on March 3, 2004, and subsequent to that advance, no additional loans were approved or advanced to Case Financial.

The CCWIPP requests that the Addendum reflect that FSCO was incorrect in noting that the last funding advance to Case was during 2003, and that although additional funds were advanced in 2004. no subsequent loans have been approved to date. The reference on Page 76 should be 2004 and not 2003

FSCO Response

FSCO acknowledges that the reference to 2003 on page 76 of the Report should be 2004 and that there have been no funding advances from that date.

Conclusions

The final remaining issues deal with the Conclusions section of the Report.

Conclusion 1

Compliance with Limitation Requirements

FSCO Conclusion - "There are a number of instances which appear to contravene the quantitative limits as set out in the Federal Regulation. We require those investments to be reviewed, and if they continue to contravene the legislative requirements, they are to be brought into compliance."

CCWIPP Response - As previously noted in Mr. Zigler's May 10, 2005 letter to Ms. Ellis, it is the intention of the CCWIPP to ensure that all governance, legal, and other related policies and procedures are scheduled for review and monitoring on a regular basis throughout the year to maintain compliance with the requirements set out in the Federal Regulation and the Act.

A draft Annual Work Plan which will monitor these quantitative limitations, and minutes of Investment Committee meetings referencing this document, were provided to FSCO (contained as Exhibit 1 to Mr. Zigler's May 10, 2005 letter to Ms. Ellis), prior to the issuance of the March 2005 Examination Report.

The CCWIPP requests that the Addendum reflect that Conclusion 1 has been addressed by establishing an Annual Work Plan to assist the Investment Committee with monitoring the quantitative limitation requirements.

FSCO Response

While FSCO recognizes that CCWIPP has taken certain initial steps to address conclusion 1, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as the annual work plan is implemented and specific compliance steps are taken.

Conclusion 2

Monitoring of Legislative Compliance

FSCO Conclusion - "We require the Board of Trustees to establish policies and procedures to ensure monitoring of the investments for legislative compliance."

CCWIPP Response - In addition to adopting the Annual Work Plan as described in Conclusion 1, it is under consideration that a position be established independent of the Investment Committee (i.e. an internal Compliance Officer or an external advisory firm)

with the responsibility of overseeing all investments to ensure legislative compliance within the PBA, the Federal Regulation and the CCWIPP's Statement of Investment Policies and Procedures ("SIP&P").

Additionally, the CCWIPP Audit Committee authorized that in the future, BDO will report annually as to the compliance status of the CCWIPP investments in relation to both the federal and provincial investment regulations.

The CCWIPP requests that the Addendum reflect that Conclusion 2 has been addressed by requiring the Fund's auditors, BDO, to report annually as to the compliance status of the CCWIPP investments.

FSCO Response

While FSCO recognizes that CCWIPP has taken certain initial steps to address conclusion 2, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as to BDO's annual reports concerning investment compliance and CCWIPP's efforts to establish an independent compliance officer position.

Conclusion 3

Plan Governance Findings

FSCO Conclusion - "We require the Board of Trustees to address the plan governance findings especially the due diligence processes for the investments overseen by the Investment Committee."

CCWIPP Response - As previously noted in Mr. Zigler's May 10, 2005 letter to Ms. Ellis, prior to the February 2004 onsite examination, a Propco Operating Policies and Procedures ("POPP") document was in the process of being drafted. Upon completion, the document will govern the Investment Committee's selection and management of the Trustee Directed Investments.

A draft POPP, and minutes of Investment Committee meetings referencing this document, were provided to FSCO (contained as Exhibit 3 to Mr. Zigler's May 10, 2005 letter to Ms. Ellis), prior to the issuance of the March 2005 Examination Report.

The CCWIPP requests that the Addendum reflect that Conclusion 3 has been addressed by establishing a Propco Operating Policies and Procedures document to govern the selection and management process of the Trustee Directed Investments.

FSCO Response

While FSCO recognizes that CCWIPP has taken certain initial steps to address conclusion 3, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as to its efforts to ensure compliance with the adopted POPP.

Conclusion 4

CCWIPP's Relationship with Mr. Polley et al.

FSCO Conclusion -"We require an explanation of the relationship of CCWIPP with Mr. Polley, Mr. Martini and Mr. Irvine. "

CCWIPP Response - A full and complete description of the role of Mr. Martini and his relationship with the CCWIPP was presented to FSCO during the meeting held February 24, 2004 at the offices of Propco I00 Ltd., and was included in correspondence sent to FSCO of the same date. Additional information regarding Mr. Polley and Mr. Irvine's relationship with the CCWIPP was provided to FSCO in Mr. Zigler's March 11, 2005 letter to Ms. Ellis.

The CCWIPP requests that the Addendum reflect that Conclusion 4 has been addressed through correspondence provided on February 24,2005 and March 11.2005.

FSCO Response

FSCO is satisfied that Conclusion 4 has been adequately addressed through the correspondence provided on February 24 and March 11, 2005.

Conclusion 5

RHK/PRK Financial Statements

FSCO Conclusion -"We require copies of the financial statements of PRK Holdings Ltd. and RHK."

CCWIPP Response - In the past, neither the CCWIPP nor the Plan's auditors, BDO, deemed it necessary to produce internal financial statements for PRK Holdings Ltd. as the financial information was readily available and reported in the audited financial statements for each of PRK's subsidiary operating companies, namely: South Ocean Development Company, British Colonial Development Company and Ocean Bay Properties I and II.

However, upon receipt of the FSCO Draft Report, the CCWIPP compiled consolidated financial statements for PRK Holdings Ltd. in an effort to provide further assistance to

FSCO. After completion, the consolidated PRK financial statements were forwarded to FSCO on March 23, 2005.

Additionally, copies of the 1998 through 2000 RHK financial statements were forwarded to FSCO on March 23, 2005 as well. Subsequently, copies of the 2001 financial statements were provided to FSCO, and 2002-2004 have been requested. RHK has advised that upon completion of the 2004 statements, they will all be sent to the CCWIPP. Upon receipt, these statements will be forwarded to FSCO for their review.

The CCWIPP requests that the Addendum reflect that Conclusion 5 has been addressed.

FSCO Response

FSCO acknowledges that the PRK financial statements and the RHK financial statements for the period 1998 to 2000 were provided but cannot confirm that conclusion 5 has been addressed until the remaining RHK statements are provided.

Conclusion 6

Conflicts of Interest

FSCO Conclusion - "We require that the Board of Trustees complete and adopt the internal draft policy dealing with conflicts of interest and address the potential conflicts as disclosed in this examination report."

CCWIPP Response - A Conflict of Interest Policy document, prepared by Mr. Zigler, was approved and adopted during the Board of Trustees meeting held March 31, 2005. This will become an appendix to the Statement of Investment Policies and Procedures ("SIP&P") upon completion of an updated version. A copy of this document has previously been provided to FSCO.

The CCWIPP requests that the Addendum reflect that Conclusion 6 has been addressed by establishing a Conflict of Interest Policy document to prevent potential conflicts in the future.

FSCO Response

FSCO acknowledges that a Conflict of Interest Policy has been adopted. As a result the concerns expressed by FSCO about potential conflicts of interest should be avoided by the implementation of this policy.

FSCO also acknowledges that with Mr. Fraser's resignation from the Board of AFM any potential conflict as it relates to AFM has been addressed.

Conclusion 7

Due Diligence Deficiencies

FSCO Conclusion - "We require the Board to address the due diligence deficiencies which have been identified in this examination report for the current investments overseen by the Investment Committee."

CCWIPP Response - As previously noted in Mr. Zigler's May 10, 2005 letter to Ms. Ellis, the CCWIPP has always maintained a process for its investments whereby professional third parties are engaged and relied upon for the completion of the required due diligence.

As described in Conclusion 3, a Propco Operating Policies and Procedures ("POPP") document has been established to further ensure proper governance in the selection and management of the Trustee Directed Investments.

The CCWIPP requests that the Addendum reflect that Conclusion 7 has been addressed by establishing a Propco Operating Policies and Procedures document to govern the selection and management of Trustee Directed Investments, which will ensure the prerequisite due diligence is performed prior to any investment being made.

FSCO Response

While FSCO recognizes that CCWIPP has taken certain initial steps to address conclusion 7, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as to the progress of the independent review of the Caribbean Development and the results of the review.

Conclusion 8

Caribbean Review

FSCO Conclusion - "We require the Board to undertake a complete independent due diligence review of the Caribbean Development including (but not limited to):"

CCWIPP Response - A Board of Trustees meeting was held January 10, 2005, during which time the Board members instructed E. Fraser to research and identify a minimum of three independent, professional firms with the requisite resources, knowledge and expertise to conduct a complete and thorough due diligence review of the Caribbean properties, applying as guidelines, the parameters listed in the FSCO Report.

During the February 24 meeting held at the offices of Propco 100 Ltd., FSCO was provided with documentation including Board of Trustee minutes, Investment

Committee minutes, and correspondence indicating that the process of beginning a complete due diligence review of the Caribbean investments was underway.

Under the direction of the Board of Trustees, the selection process continues for the engagement of an independent third party to conduct the review, and a final decision will be made at a future Board of Trustees meeting.

The CCWIPP requests that the Addendum reflect that Conclusion 9 has been addressed by the Board of Trustees initiating the process of selecting and engaging a firm to complete an independent due diligence review of the Caribbean Development.

FSCO Response

FSCO recognizes that CCWIPP has taken certain initial steps to address some of the issues raised in conclusion 8, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as to the status of the establishment of the comprehensive review measures.

Conclusion 9

Compliance with SIP&P

FSCO Conclusion -"We require the Board to establish processes to ensure that the provisions of the SIP&P are adhered to."

CCWIPP Response - Although an established process to ensure compliance with the Statement of Investment Policies and Procedures ("SIP&P") exists, a set of more-comprehensive review measures are in the process of being established as contained in the draft Annual Work Plan.

The CCWIPP requests that the Addendum reflect that Conclusion 8 has been addressed by establishing an Annual Work Plan to assist the Investment Committee and the Board of Trustees in ensuring that the provisions of the SIP&P are adhered to. The Annual Work Plan is in addition to the processes that have been established and continue to be developed.

FSCO Response

While FSCO recognizes that CCWIPP has taken certain initial steps to address conclusion 9, FSCO cannot agree that CCWIPP has fully addressed the issue. FSCO anticipates that CCWIPP will keep it advised as the financial work plan is implemented and specific compliance steps are taken.

OWNERSHIP AND LENDING STRUCTURE OF CARIBBEAN DEVELOPMENT

