

INTRODUCTION

Altimum Mutuals Inc. is a corporation with its registered office at 94 Barbican Trail, St. Catharines, ON L2T 4A8. It is a registered Mutual Fund Dealer and is licensed in the province of Ontario.

Altimum Mutuals Inc. has Approved Persons who sell mutual funds to its clients. It is not involved in any other business activities.

SECTION 1 THE COMPLIANCE FUNCTION

What is Compliance?

Compliance, by its simplest definition, means complying with applicable laws and regulations which the registered entity should translate into business policies and procedures that should be adhered to very closely.

Regulators establish rules requiring management to establish internal control systems to ensure compliance with the minimum statutory and regulatory requirements. Regulators also have the authority to examine entities for which they have oversight responsibilities. Pursuant to their examination of a particular entity, regulators provide information, recommendations and sometimes directives to management regarding internal control system improvements.

Regulators, and more specifically, the Mutual Fund Dealers Association (MFDA), require and review more formal and comprehensive programs to detect and prevent violations of securities law. Weaknesses in the compliance program may be viewed as seriously as actual violations themselves.

Compliance comprises those elements of an organization or business entity - resources, systems, processes, culture, structure and tasks - that, when taken together, support people in the achievement of the organization's/business entity's objectives. These objectives may fall into one or more of the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of internal and external reporting.
3. Compliance with applicable laws and regulations and internal policies.

Key Control Concepts of Compliance

Control is effected by people throughout the organization, including the Board of Directors, (if applicable), the organization's management, and all other staff. People who are accountable, as individuals or teams, for achieving objectives should also be accountable for the effectiveness of control that supports achievement of those

objectives. Control can be expected to provide only reasonable assurance, not absolute assurance.

The Compliance Process

This process involves the following steps:

1. Setting of corporate/business objectives.
2. Strategic planning.
3. Identifying/being cognizant of relevant securities laws and regulations.
4. Communicating relevant laws and regulations to the appropriate business units or individuals.
5. Integrating compliance requirements into business processes.
6. Complying with the laws and regulations.
7. On-going monitoring of compliance by the business unit.
8. Periodic monitoring of compliance by internal audit or by a person independent of the business operations.

Managing Compliance Risk

By establishing the right checks and balances, that is, by setting clearly defined policies and procedures, Altimum/Registrant can proactively meet the demands of a changing environment and avoid dealing with the control risks and unforeseen circumstances that can occur.

Risk comes in many forms:

1. Inherent risk: the risks faced by all business entities in a particular sector.
2. Strategic risk: the risk of doing the wrong thing.
3. Operational risk: the risk of doing the right thing the wrong way.
4. Learning and monitoring risk: the risk of not adapting and responding to change.

The Goal of Compliance

Management's compliance policies and procedures should be designed to:

1. Measure, monitor and manage risk such as market risk, liquidity risk and credit risk,
2. Assess organizational risk, including market, liquidity, credit and operational risk, and report to all concerned parties on the state of risk,
3. Develop means of communicating risks to investors,
4. Conduct independent reviews of the compliance function,
5. Report such reviews to the appropriate parties.

Compliance Roles and Responsibilities

A specific individual or group of individuals is responsible for identifying, interpreting and complying with applicable securities laws and regulations, including the rules and regulations of the MFDA and the Securities Act and to generally supervise the daily activities of the firm and its Approved Persons. Such responsibility normally rests with the designated Chief Compliance Officer, the Ultimate Designated Person, and other individuals who have been assigned to assist in this process.

The compliance function is an internal business function.

Chief Compliance Officer

Edith Reid is registered as Chief Compliance Officer. She is a resident of Ontario, and is responsible for opening and approving new client accounts in accordance with the policies and procedures outlined in the section entitled Client Accounts.

Ultimate Designated Person

Donald Reid is registered as Ultimate Designated Person. He is a resident of Ontario.

Together the Chief Compliance Officer and the Ultimate Designated Person comprise the Board of Directors.

Specific Role and Responsibilities of the Chief Compliance Officer

The role of the Chief Compliance Officer is to design, implement and monitor a compliance program. Altimum Mutuals Inc. (Altimum) ensures that, through its designated Chief Compliance Officer, it complies with all applicable securities laws and regulations. The Chief Compliance Officer has the authority, responsibility and accountability for compliance, and ensures that this is defined throughout the organization. Through the Chief Compliance Officer, Altimum has:

1. Established effective compliance policies and procedures and will ensure that such policies and procedures are updated as laws and regulations change.
2. Designed appropriate training and recruiting programs.
3. Determined 'best practices' for Altimum.
4. Ensured that employees under the Chief Compliance Officer's supervision know, understand and comply with Altimum's policies and procedures.
5. Determined accountabilities for each compliance process for all relevant laws and regulations applicable to the operations of Altimum.
6. Ensured that the control environment emphasizes the importance of compliance processes.

On an on-going basis, the Chief Compliance Officer:

1. Monitors compliance with Altimum's policies and procedures.
2. Assesses whether compliance and control measures are adequate.
3. Ensures that all employees of Altimum conduct the business of the dealer in a manner that complies with all the applicable laws and regulations.
4. Addresses non-compliant conduct.
5. Has developed compliance processes that can be monitored, such as signoffs by the Chief Compliance Officer as the person having overall supervision responsibilities.
6. Keeps up to date on regulatory developments and communicates such changes to the employees.
7. Reviews laws, regulations and developments within the industry.
8. Communicates revisions to relevant persons.
9. Investigates compliance and control issues and deals with them by communicating directly with the specific employee to resolve the issue. Once appropriately addressed, such issues are documented and maintained.
10. Identifies compliance risk areas and develops a strategy to address such risks.

The Chief Compliance Officer accomplishes this through reviewing unusual or large trades, unusual trading activities, leveraged accounts, orders to purchase funds where the funds may not meet the client's stated objectives or risk tolerance as recorded by the Approved Person, client complaints, or any other matter of concern brought to her attention.

She will review all Approved Person applications for registration for proper and accurate completion. She will review any and all advertising materials before their use to ensure they comply with the relevant rules and regulations.

She will periodically review (at least annually) Altimum's Policies and Procedures Manual to ensure continuing compliance with changing regulations.

She will conduct regular reviews of the sales and trading activities of all Approved Persons under her supervision.

Altimum is committed to adherence to high standards of conduct and compliance with the spirit, not just the letter, of the law.

Specific Role of the Ultimate Designated Person

The Ultimate Designated Person's role is to supervise the activities of the firm that are directed toward ensuring compliance with securities legislation and promote compliance within the firm. It is generally the Chief Executive Officer of the firm, and that is true in the case of Altimum Mutuals Inc.

Compliance Reporting

The Chief Compliance Officer reports to the Board of Directors when necessary, and, at a minimum, annually. In her Annual Report to the Board, the Chief Compliance Officer reports on significant and recurring issues arising from sub-branch reviews (as Altimum has no offices that would be defined as branch offices), regulatory changes, the status of any regulatory examination or enforcement case, Approved Persons terminated or disciplined, client complaints and lawsuits, the adequacy of regulatory capital and insurance coverage, and any other matters deemed appropriate.

Altimum Mutuals Inc.

Schedule of Responsibilities

Point Person

New Accounts

Monitor New Account Opening and Account Approvals Edith

Change of Dealer and follow-up Edith

Trade Processing

Review of Trades for Suitability Edith

Review Leverage Loans for Suitability Edith

Processing of Wire Orders Edith

Processing and Monitoring Switches Edith

Client Cheques and Settlement of Trades Edith

Trade Confirmation Review and Filing Edith

Approval of New Products, New Funds, New Fund Companies Don

Fund Group Agreements, Fax Agreement, Documentation Edith

Reviewing Trade Blotters Edith

Client Information

Monitoring Completeness of Client Files Edith

Limited Trading Authorization approvals and filing Edith

Leverage Disclosure Document approvals and filing Edith

Review Estate Files for Procedures and Timely Settlement Don

Viefund System, Client Statements and Training

New Account Setup and Account Setup Training Edith

Training re Wire Order Processing Don

General 'How To' Questions Don

New Features, Error Correction and Development Don

Account Applications, requirements, policies and changes Don

Scanning of Documents Don

New Fund Set-up or Fund Code Missing on System Don

Maintenance of Risk Assessments for funds Don

Monthly Client Account Reconciliation Don

Client Statements and Errors in Account Holdings Don

Processing of Printed Client Statements for Mailing Edith

Commissions

Commissions Processing, Manual Entries, Missing Commissions Edith

Bank Deposits Edith

Rep Information

NRD system re: Rep Information Edith

Documentation and Evidence of Training of New Representatives Edith

License Transfers, Resignations and Reporting Requirements Edith

Training of New Representatives Don

Advertising

Review of Co-op Advertising and Sales Communications	Edith
Filing of Advertising Approvals	Edith

Regulation Compliance

Personnel Files, Business Cards, Letterhead	Edith
Branches, Sub-branches and compliance with such policy	Edith
Branch and Sub-branch Audits and Compliance Reviews	Edith
Client Complaint Log, Procedures and Follow-up	Edith
Monthly Monitoring re: Money Laundering	Edith
Updates and Changes to Regulation and Requirements	Edith
Report from the Canadian Association of Compliance Officers	Edith
Daily Mail Log as Required	Edith
Compliance Manual, Corporate Policy and Procedures	Don
Financial Blanket Bond and Application Form	Edith

Books, Audit and Financial Reporting

Monitoring Capital Requirements	Don
Maintenance of Corporate Books	Don
Monthly Financial Reporting	Don
Corporate Tax Return	Don
Audit	Don
Payment of Bills, Filing of Invoices and Writing of Cheques	Edith
Maintenance of Completed Records, Documents and Files	Edith

Recruiting and Corporate Growth

Web Site and Corporate Image Development	Don
Sales Meeting Agenda and Speaker	Don
Reservations and Arrangements re: Sales Meetings	Edith
Recruitment of New Representatives	Don
Computer Repair, Maintenance, Programs and Anti-Virus	Don