

TRAPEZE



ASSET MANAGEMENT

April 27, 2012

To: All Clients of Trapeze Asset Management Inc.

We are writing to inform you that Trapeze Asset Management Inc. ("TAMI") has entered a settlement agreement with the Ontario Securities Commission ("OSC" or "Commission") that was approved today by the Commission. You can access a copy of the settlement agreement at www.osc.gov.on.ca. As stated in the agreement, we have cooperated with the OSC in this matter.

The settlement agreement with the OSC requires us to inform you of our intention to conduct account reviews in accordance with agreed terms of reference to ensure that your current client information is accurately reflected in our records and that the investments in your accounts are suitable for you given your age, financial circumstances, investment needs and objectives and risk tolerance. The terms of reference are contained in Schedule B to the settlement agreement. We are retaining an industry consultant to review our practices and procedures in accordance with these terms of reference.

We agreed to these terms because we wish to ensure that your accounts are managed in your best interests. We admitted in the settlement agreement that in view of our emphasis on issuer-related risks and longer term investment periods, our value-investment approach did not give sufficient weight to concentration risk or to potential volatility and liquidity risk. We have acknowledged that our underweighting of these risks led us to treat as medium risk securities that were higher than medium risk, and that in some cases in connection with managed accounts this resulted in know-your-client and suitability deficiencies.

We realized these issues as a result of the global financial crisis that began in 2007 and its unprecedented negative impact on securities markets. We did not anticipate these events, and we regret the resulting declines in the value of your accounts with us.

While our growth accounts remain all-cap oriented and may be comprised of securities issued by small, medium and large capitalization companies, we have been increasing the exposure in our accounts to larger cap companies in order to decrease the potential volatility in our portfolios and to capture the value in large cap issuers that resulted from the market crash. If you are a new client with a growth account that was opened in the past three years, your account has always been managed based on a "larger cap" investment mandate with a weighting in large cap securities that is typically 60 per cent or more.

We continue to manage your accounts, as we believe we always have, in your best interests. Our growth portfolios currently consist of securities that we believe are trading at very significant discounts to our appraised values.

Despite the performance of our growth accounts since 2007, the long-term performance of our composites since inception continues to be in line with or higher than the returns for the common industry equity indexes and a blended benchmark. The figures are available on our website www.trapezeasset.com.

We wish to discuss these issues with you and will be contacting you to arrange a review of your account.

Yours very truly,

Randall Abramson
President and CEO