

12 June 2002

TO: CLIENTS OF BUCKINGHAM SECURITIES CORPORATION

Dear Sir/Madam:

**Re: Buckingham Securities Corporation ("Buckingham"), in Receivership
W.D. Latimer & Co. Limited**

The trial of the issues relating to the security interest claimed by W.D. Latimer & Co. Limited ("Latimer") commenced on 3 June 2002 and concluded on 7 June 2002 before the Honourable Mr. Justice Ground of the Ontario Superior Court.

At the trial, BDO Dunwoody Limited, in its capacity as Receiver, opposed the security interest claimed by Latimer in securities held by Buckingham on behalf of its clients, to the extent that the securities were unencumbered and either "fully paid" or "excess margin" securities. To support our position, the Receiver recreated, with advice from counsel and an expert in the securities industry, the segregation report of securities as at 6 July 2001, the date of the Ontario Securities Commission freeze Order. This report determined Buckingham had a right to pledge margined securities to Latimer with a value of approximately \$700,000 at 6 July 2001.

Latimer claimed it had a valid security interest in all securities held by it to cover Buckingham's indebtedness of approximately \$2M to Latimer notwithstanding that such securities included Buckingham's "fully paid" and/or "excess margin" client securities.

Given the degree of separation between what the Receiver believes Latimer's security interest encompasses and what Latimer claims it has a security interest in, the Receiver was compelled to litigate the matter on behalf of Buckingham's clients.

The Receiver's Case:

In the Receiver's view, Latimer knew or ought to have known that Buckingham had an obligation to keep the "fully paid" and "excess margin" securities segregated and in trust, and could not pledge such securities to Latimer.

Moreover, Latimer had access to information that raised, or ought to have raised, a reasonable suspicion that Buckingham was pledging securities it was obligated to segregate and hold in trust. Further, Latimer either had constructive knowledge of Buckingham's breach of trust or provided "knowing assistance" to Buckingham in its misapplication of trust property. Accordingly, Latimer's security interest in the "fully paid" and "excess margin" securities pledged by Buckingham should be unenforceable, thereby limiting Latimer's security interest to non-segregated securities.

Latimer's case:

Latimer argued that it had complied with all IDA regulations in its handling of Buckingham's account including the segregation of enough of Buckingham's securities to cover the latter's indebtedness. Secondly, Latimer was acting as a "Jitney" broker for Buckingham and operated an "Omnibus" account. In accordance with common industry practice, Latimer was not required to undertake further inquiry or investigation to ensure that Buckingham was properly segregating client securities.

Notwithstanding the foregoing, Latimer claimed it exercised all proper due diligence when Buckingham

opened its margin account at Latimer by meeting with the principals of Buckingham and having them provide a letter of assurance that Buckingham was segregating clients' securities.

Latimer argues it was unaware of Buckingham's breach of trust and is an innocent party which should not be made responsible for Buckingham's failure to comply with the Ontario Securities Act, particularly since there is an insurance fund available to compensate most of Buckingham's clients for losses under \$5,000.

Given the complexities of the issues presented at trial, the Honourable Mr. Justice Ground reserved his decision until sometime in July 2002.

We shall continue to keep Buckingham clients apprised of the outcome of the trial and any other future developments related to this receivership, by providing periodic updates on the Buckingham website.

Yours very truly,

BDO Dunwoody Limited