

Management Report of Fund Performance and Audited Financial Statements

Impression Plan

For the year ended December 31, 2009



Securing Your Child's Future Since 1965

Management Report of Fund Performance – Impression Plan

This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You may receive a copy of the annual financial statements at your request and at no cost by visiting our website at www.HeritageRESP.com or SEDAR at www.sedar.com or by calling our Customer Service Department at 1.800.739.2101 or by writing to us at 2005 Sheppard Ave. E., Suite 700 Toronto, Ontario M2J 5B4.

The investment policies of the Impression Plan (the “Plan”) limit its investments to specified government bonds, guaranteed investment certificates (including bank deposit notes) and corporate debt securities with an approved rating. None of these securities require the issuer thereof to call meetings of holders or otherwise carry a right to vote. Accordingly, the Plan’s policies and procedures on how to vote on any matter for which the Plan receives, in its capacity as security holder, proxy materials for a meeting of security holders, are limited to exceptional circumstances where creditors of an issuer are given a right to vote in accordance with applicable laws.

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Management Discussion of Fund Performance

Investment Objective and Strategy

The investment objective of the Plan is to preserve capital while maximizing the long-term rate of return for investors, within guidelines set out in the Investment Policy Statement. The Plan consists of investment grade federal, provincial and corporate securities, bank deposit notes and cash.

Scotia Asset Management L.P. (a wholly owned subsidiary of Scotiabank) manages the Plan on a discretionary basis within set parameters established under the Prospectus and investment policy statement. The investment strategy focuses on achieving a superior rate of return by strategically positioning the portfolio on the yield curve and selecting optimal credit securities, within well-defined risk parameters.

Risk

The Prospectus outlines the investment risks associated with actively managed portions of the portfolio as well as the portfolio's suitability for investors. The key risks are interest rate risk, liquidity risk and credit risk. Refer to the audited financial statements for the year 2009 for an explanation on these risks.

Results of Operations

For 2009, the Plan's rate of return was 5.39%, which was 382 basis points above the DEX Universe All Government Bond Index ("Index") of 1.57%.

The asset mix of the Plan did not change materially from the previous period: at December 31, 2009, 98.2% of the Plan was invested in fixed income securities compared to 97.2% at December 31, 2008.

The year 2008 saw investors pursue a "flight to safety" strategy, shunning non-sovereign securities. This was characterized by the widening of spreads with respect to both Provincial and Corporate bonds. However, 2009 saw a reversal of this behaviour, as investors went from shunning credits to chasing them. In Canada, the year began with the difference in yields on corporate bonds and comparable governments bonds (credit spread) at over 3%, and the yield differential on provincial bonds at nearly 2% above comparable federal issues. Since then, spreads have compressed to 1.3% and 1.2% for corporate and provincial bonds, respectively.

The Canadian and American government yield curves are fairly steep, with rates at the short end of the curve remaining at effectively zero and rates at the longer end of the curve substantially higher. Duration was neutral to that of the Index. The overweight in provincial and Schedule I bank bonds was the main driver of outperformance this year as credit spreads, which were both at historic highs, contracted to levels not seen since the spring of 2008, in other words, prior to the events leading up to the credit crisis. The Plans' fixed-income portfolio has adopted a barbell strategy in anticipation of a flattening yield curve.

Recent Developments

Following a rocky start, financial markets staged an impressive recovery in 2009. Long-term assets generated solid returns, with riskier asset classes outperforming their less risky counterparts; longer term bonds outperforming money market instruments and corporate bonds outperforming sovereign debt. On the economic front, unprecedented coordinated action between governments and Central Banks resulted in extremely low interest rates for the entire year. Additionally, many countries ramped up fiscal spending with stimulus policies and/or provided assistance to corporations in financial trouble.

The second quarter of 2009 came as a relief, with global credit markets recovering significantly. The U.S., Canadian and European Central Banks all cut rates aggressively to 1% or less, providing credit markets with a sense of stability. The bond market rebound that gathered steam in the first half of 2009 continued to gain strength in the second half of the year on strong liquidity and growing investor confidence that the financial crisis and recession were over.

However, with persistent low interest rates for cash-like securities and little room for interest rates to move lower, the amount of interest income investors can generate from these investments in the near future may be limited.

Related Party Transactions

The Plan is distributed by Heritage Education Funds Inc. (the "Distributor"), a subsidiary controlled by Heritage Financial Group Limited. The Plan's Sponsor (Heritage Educational Foundation) and the Distributor are under common management, and the beneficial shareholders of the Distributor constitute the Board members of the Plan's Sponsor.

Management fees, which are currently waived, are intended to be paid to the Plan's Sponsor and in turn paid to the Distributor.

Financial Highlights

The following table shows selected key financial information of the Plan and its financial performance for up to the past five years. This information is derived from the Plan's audited financial statements for the fiscal years ended December 31.

Financial Highlights (with comparative numbers)

	2009	2008	2007	2006	2005
Statement of Net Assets					
Total Assets	\$ 562,620	\$ 553,182	\$ 600,262	\$ 487,050	\$ 369,419
Net Assets	562,620	553,182	572,089	487,050	369,419
% Change in Net Assets	1.7%	(3.3)%	17.5%	31.8%	120.3%
Statement of Changes in Net Assets					
Educational Assistance Payments	\$ 17,194	\$ 23,204	\$ 14,091	\$ -	\$ 9,173
Redemptions	56,860	123,565	32,792	30,718	6,427
Statement of Operations					
Net Investment Income	\$ 29,533	\$ 38,110	\$ 26,809	\$ 17,620	\$ 14,727
Other					
Total number of Units in Plan	54,011	52,870	55,496	47,205	35,525
% Change in Total Number of Units	2.2%	(4.7)%	17.6%	32.9%	116.8%

Management Fees

An annualized management fee of 1.95% is charged against the aggregate market value of each Impression Account. The fee is inclusive of all administrative, trustee and portfolio management fees. The fee is collected monthly in arrears by the Trustee and paid to the Foundation. This fee may be waived or reduced at the discretion of the Foundation. Presently the management fee has been waived and only the portfolio management fee is being charged.

Portfolio Management Fee

An annual advisory fee of \$302 for portfolio management services was paid to Scotia Asset Management L.P., for the year ended December 31, 2009. Scotia Asset Management L.P. provides advisory and discretionary managed account services with respect to purchasing, selling and otherwise dealing in securities and other investments of the Plan.

The advisory fee is calculated on the market value of portfolio holdings at the end of each quarter based on a graduated fee schedule and paid on a quarterly basis. This amounted to 5.5 basis points for 2009.

Past Performance

Past performance of the Plan is set out in the following chart and the compound returns table. Investment returns have been calculated using market values and time-weighted cash flows during the periods.

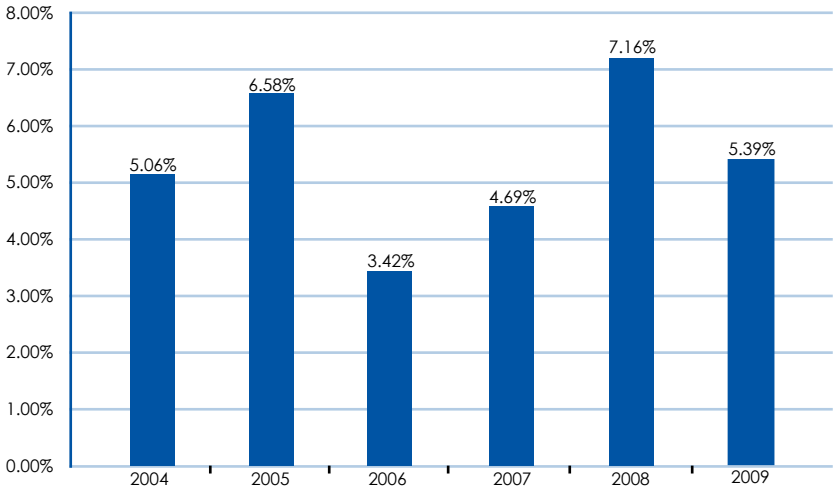
The performance information shown:

- assumes that all of the income, interest earned and capital gains distributions are reinvested in the Plan; and
- is adjusted for the cash flows for advisory fees payments.

Past returns of the Plan do not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart illustrates the Plan's annual performance in each of the past six years to December 31, 2009. The Impression Plan commenced operations on June 30, 2003.



Annual Compound Returns

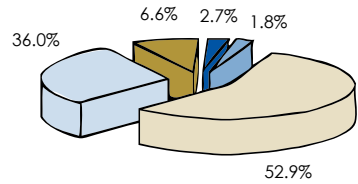
The following table illustrates the Plan's annual compound returns for the periods shown ended December 31, 2009.

	1 Year	3 Years	5 Years
Impression Plan	5.39%	5.74%	5.44%
Dex Universe All Government Bond Index	1.57%	4.97%	5.09%

Summary of Investment Portfolio

Portfolio by Category

Sectors	% of Market Value
Canada Govt-Provincial Bonds	52.9%
Canada Govt-Federal Bonds	36.0%
Bank Deposit Notes-GICs	6.6%
Corporate Bonds	2.7%
Short-Term Investments	1.8%



The holdings of the Plan as at December 31, 2009 are indicated below. This summary of investment portfolio may change due to ongoing portfolio transactions..

Investment	% of Plan's Portfolio Assets
Canada Housing Trust Bond Series 13 4.05%, 15-Mar-11	26.26%
Ontario Province CDA 6.50%, 8-Mar-29	20.68%
Quebec Province Debentures 4.50%, 01-Dec-17	5.63%
Hydro Quebec 11.00%, 15-Aug-20	5.58%
Canada Housing Trust Mortgage Bond 4.80%, 15-Jun-12	4.83%
Ontario Province Domestic Debenture 4.20%, 8-Mar-18	3.67%
Quebec Province CDA 6.0% 01-Oct-29	3.07%
Canadian Imperial Bank 5.00%, 10-Sep-12	2.89%
Manitoba Province Debentures 4.70%, 22-Sep-17	2.86%
Alberta Capital Financial Authority 4.65%, 15-Jun-17	2.86%
Municipal Finance Authority 4.60%, 22-Apr-18	2.79%
Canada Housing Trust Mortgage Bond 4.10%, 15-Dec-18	2.76%
RBC Covered Bond 3.27%, 10-Nov-14	2.71%
Toronto Dominion Bank 4.78%, 14-Dec-16	2.71%
Canada Government Bond 5.75%, 1-Jun-29	2.18%
Province of British Columbia 5.70%, 18-Jun-29	2.01%
Toronto City Debentures 4.95%, 27-Jun-18	1.88%
Manitoba Province Debentures 4.25%, 5-Mar-18	1.84%
Royal Bank of Canada Tier 2A 5.95%, 18-Jun-14	0.97%
Holdings as % of Plan's Portfolio Assets	98.18%


Management's Responsibility For Financial Reporting

The accompanying financial statements of the Impression Plan (the "Plan") have been prepared by the management and approved by the Board of Directors of the Heritage Educational Foundation. Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Heritage Educational Foundation, through Heritage Education Funds Inc. (the "Distributor"), a subsidiary controlled by Heritage Financial Group Limited owned by the senior management team of the Distributor, administers the Plan. The Distributor maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 1 to the financial statements. KMPG LLP are the external auditors of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the planholders their opinion on the financial statements. Their report is set out below.

Toronto, Canada
February 19, 2010



Scott McIndless
Chairman



Onofrio Loduca
Treasurer and Director

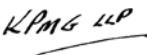
Auditors' Report

To the Board of Directors of Heritage Educational Foundation

We have audited the statements of net assets of Impression Plan as at December 31, 2009 and 2008, the statement of investment portfolio as at December 31, 2009 and the statements of operations and changes in net assets for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Plan as at December 31, 2009 and 2008, its investments as at December 2009 and the results of its operations and the changes in its net assets for the years ended December 31, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants

Toronto, Canada
February 19, 2010

Impression Plan Statements of Net Assets

December 31, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 3,693	\$ 6,741
Receivable from Heritage Educational Foundation	-	1,000
Investments, at fair value (note 2)	552,924	541,092
Accrued interest	6,003	4,349
Net assets	562,620	553,182
Net assets represented by:		
Unitholders' equity	\$ 562,620	\$ 553,182
Number of units outstanding (note 3)	54,011	52,870
Net asset per unit	\$ 10.42	\$ 10.46

See accompanying notes to financial statements.

On behalf of the Board of the
Heritage Educational Foundation:



Scott McIndless
Director



Onofrio Loduca
Director

Impression Plan Statements of Operations

Years ended December 31, 2009 and 2008

	2009	2008
Investment income:		
Interest and other	\$ 22,939	\$ 23,669
Realized gains	8,260	7,999
Unrealized gains (losses)	(1,364)	6,751
Portfolio management fees	(302)	(309)
Increase in net assets from operations	\$ 29,533	\$ 38,110
Increase in net assets from operations per unit	\$ 0.55	\$ 0.72

See accompanying notes to financial statements.

Impression Plan Statements of Changes in Net Assets

Years ended December 31, 2009 and 2008

		2009		2008
Net assets, beginning of year	\$	553,182	\$	572,089
Increase in net assets:				
Subscribers' contributions		48,616		80,612
Government grants		5,343		9,140
		53,959		89,752
Decrease in net assets:				
Redemptions:				
Educational Assistance Payments		(17,194)		(23,204)
Others		(56,860)		(123,565)
		(74,054)		(146,769)
Decrease in net assets		(20,095)		(57,017)
Increase in net assets from operations		29,533		38,110
Net assets, end of year	\$	562,620	\$	553,182

See accompanying notes to financial statements.

Impression Plan Statement of Investment Portfolio

December 31, 2009

Description	Coupon rate	Maturity date	Face value	Amortized cost	Fair value
Government - federal:					
Canada Housing Trust bond	4.05%	3/15/11	\$ 140,000	\$ 145,418	\$ 145,208
Canada Housing Trust bond	4.80%	6/15/12	25,000	25,899	26,704
Canada Housing Trust bond	4.10%	12/15/18	15,000	15,308	15,272
Canada Government bond	5.75%	6/01/29	10,000	12,330	12,064
Government - provincial:					
Alberta Capital Finance Authority	4.65%	6/15/17	15,000	15,270	15,829
Province of Manitoba debentures	4.70%	9/22/17	15,000	14,975	15,837
Province of Quebec debentures	4.50%	12/01/17	30,000	29,686	31,113
Province of Manitoba debentures	4.25%	3/05/18	10,000	9,941	10,197
Province of Ontario Domestic debentures	4.20%	3/08/18	20,000	20,209	20,284
Municipal Finance Authority	4.60%	4/23/18	15,000	14,952	15,419
City of Toronto debentures	4.95%	6/27/18	10,000	9,974	10,395
Hydro Quebec debentures	11.00%	8/15/20	20,000	29,766	30,844
Province of Ontario CDA	6.50%	3/08/29	95,000	113,315	114,344
Province of British Columbia debentures	5.70%	6/18/29	10,000	10,914	11,106
Quebec Province CDA	6.00%	10/01/29	15,000	16,456	16,981
Bank deposit notes/GICs:					
Canadian Imperial Bank of Commerce	5.00%	9/10/12	15,000	14,993	15,970
Royal Bank of Canada Tier 2A	5.95%	6/18/14	5,000	4,664	5,380
Royal Bank of Canada covered bond	3.27%	11/10/14	15,000	14,998	14,994
Corporate bonds:					
Toronto Dominion Bank	4.78%	12/14/16	15,000	14,343	14,986
Short Term:					
Canada treasury bills	0.00%	3/04/10	10,000	9,997	9,997
			\$ 505,000	\$ 543,408	\$ 552,924

See accompanying notes to financial statements.

Impression Plan (the "Plan") was established on June 20, 2003 by the Heritage Educational Foundation (the "Foundation"), a non-for-profit corporation incorporated under the laws of Canada without share capital. The Foundation was incorporated and organized on December 1, 1986. The Plan provides a savings vehicle for parents, grandparents and others ("Subscriber" or "Subscribers") to save for a designated child's post-secondary education. The Plan is distributed by Heritage Education Funds Inc. (the "Distributor"), a subsidiary controlled by Heritage Financial Group Limited. The Foundation and the Distributor are under common management, and the beneficial shareholders of the Distributor constitute the Board members of the Foundation. The Subscriber enters into an Education Savings Plan contract (the "Contract") in accordance with the prospectus with the Foundation, pursuant to which the Subscriber subscribes for units in the Plan. Unless otherwise defined herein, all capitalized terms have the meanings given to them in the Contract.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(a) Investments:

Investments in bonds, bank deposit notes, Guaranteed Investment Certificates ("GICs") and short-term investments are carried at fair value based on closing bid prices.

Investment transactions are recorded on a settlement basis. Realized gains or losses and changes in unrealized gains or losses are recognized in the year that such gains or losses occur.

(b) Interest and other income:

Interest income is recorded on an accrual basis and includes amortization of any premiums or discounts on the purchase of the investments using the effective interest rate method.

(c) Subscribers' contributions:

Subscribers' contributions reflect all amounts received from the Subscribers and do not include any amount receivable on subscribed units.

(d) Government contributions:

Canada Education Savings Grant ("CESG") contributions represent the amount of federal government grants received by the Plan pursuant to the CESG program. The amount of grant received under the program is 20% of annual contributions made into a Registered Education Savings Plan ("RESP") and has an annual maximum of \$500 per eligible Beneficiary who is under 18 years of age. An additional CESG amount may be available based on the family net income of the Beneficiary and provides for an enhanced grant of 40% of annual contributions for Beneficiaries whose annual family net income does not exceed \$38,832* and 30% of annual contributions for Beneficiaries

1. Significant accounting policies (continued):

(d) Government contributions (continued):

whose annual family net income is between \$38,832* and \$77,664*. The cumulative lifetime maximum of all CESG is \$7,200 per eligible Beneficiary.

CESG contributions received by the Plan with respect to a Beneficiary are invested by the Plan and will ultimately be paid out to the Beneficiary in increments if the Beneficiary becomes entitled to receive Educational Assistance Payments ("EAP").

The Government of Canada will provide a Canada Learning Bond ("CLB") in the amount of \$500 for any child born after December 31, 2003 who also qualifies for the National Child Benefit Supplement ("NCBS") together with \$25 to help cover the cost of opening an RESP.

In each subsequent year that the child remains eligible for the NCBS until the year the child turns 15 years of age, the Government of Canada will contribute an additional \$100 towards CLB, on an annual basis. The total CLB available for a Beneficiary can amount to \$2,000.

For the residents of Alberta, the provincial government has established Alberta Centennial Education Savings Grant of \$500 which will be paid into an RESP for every child born in Alberta on January 1, 2005 or later. Additional grants of \$100 will be paid into the RESPs of eligible Beneficiaries when they turn 8, 11 and 14 provided they are, at that time, enrolled in school in the province of Alberta and have met minimum contribution levels required by the Government of Alberta.

For the residents of Quebec, the provincial government introduced the Quebec Education Savings Incentive (the "QESI"), which will be paid in the form of a refundable tax credit. This tax credit will apply to contributions made on or after February 21, 2007 into an RESP, where a child named as a Beneficiary is a resident of Quebec. The basic credit is 10% of the net annual contribution to a maximum of \$250 per eligible Beneficiary. Families with income of less than \$76,770* may qualify up to 10% of the first \$500 in RESP contributions to a maximum of \$50 in QESI. The total lifetime maximum is \$3,600 per eligible Beneficiary.

Under various circumstances, including the case where a Beneficiary does not become eligible for receipt of EAP, the government grants and incentives must be repaid to the applicable government. After maturity, under the Self-Determined Option, if a Beneficiary does not enroll in a post-secondary education program, the Plan is required to repay the grant, referable to that Beneficiary, back to the government. Earnings on such grants may be rolled over into a registered retirement savings plan in accordance with the provisions of the Income Tax Act (Canada).

(e) New accounting policies:

For the year ended December 31, 2009, the Plan has adopted The Canadian Institute of Chartered Accountants' ("CICA") Emerging Issue Committee ("EIC") Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Liabilities ("EIC-173"). EIC-173 clarifies that credit risk and counterparty credit risk should be considered in determining the fair value of financial instruments. The adoption of EIC-173 did not have an impact on the financial statements of the Plan.

* This amount is indexed each year based on the rate of inflation

1. Significant accounting policies (continued):

(e) New accounting policies (continued):

The Plan adopted the amendments to CICA Handbook Section 3862 ("Section 3862), Financial Instruments - Disclosures Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Plan's investments. The hierarchy of inputs is summarized below:

(i) Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Level 2:

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

(iii) Level 3:

Inputs for the assets that are based on unobservable market data.

(f) Future accounting changes:

On February 13, 2008, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for all Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there may be significant differences on recognition, measurement and disclosures that may materially impact the net assets of the Plan. Management has developed a plan to meet the timetable published by the CICA Accounting Standards Board for a changeover to IFRS.

The key elements of this plan include disclosures of the qualitative impact in the December 31, 2009 and 2010 financial statements, disclosures of the quantitative impact, if any, in the December 31, 2010 financial statements and the preparation of December 31, 2011 financial statements in accordance with IFRS.

Based on management's current evaluation of the differences between Canadian GAAP and IFRS, management believes there will be no impact on the net assets of the Plan. However, management believes that conversion to IFRS will result in some additional disclosures and potentially different presentation of certain items.

(g) Income taxes:

The Plan is exempt from income taxes under Section 146.1 of the Income Tax Act (Canada).

2. Investments:

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The Plan's investments are categorized as Level 2 as of December 31, 2009. The valuation methodology of Level 2 investments are described in note 5.

2. Investments (continued):

The face values, costs/amortized costs and fair values of investments by contractual maturity are as follows:

Term to maturity	2009				2008			
	Face value	Cost/ amortized cost	Fair value	Yield	Face value	Cost/ amortized cost	Fair value	Yield
Government of Canada and federally guaranteed bonds:								
Due in one to five years	\$ 165,000	\$ 171,318	\$ 171,913	1.15%	\$ 150,000	\$ 156,623	\$ 163,626	3.39%
Due after five years	25,000	27,638	27,335	3.47%	–	–	–	–
Provincial and provincially guaranteed bonds:								
Due after five years	255,000	285,458	292,348	4.75%	275,000	299,208	305,217	4.72%
Bank deposit notes/GICs:								
Due in one to five years	35,000	34,654	36,345	4.53%	15,000	14,990	15,300	5.02%
Due after five years	–	–	–	–	30,000	30,165	30,355	5.14%
Corporate bonds:								
Due after five years	15,000	14,343	14,986	5.67%	15,000	14,248	11,616	5.57%
Short-term investments	10,000	9,997	9,997	–	15,000	14,978	14,978	1.41%
	\$ 505,000	\$ 543,408	\$ 552,924		\$ 500,000	\$ 530,212	\$ 541,092	

A copy of the statement of portfolio transactions (unaudited) of the Plan is available to Subscribers upon request.

3. Valuation of units:

The Plan's units are valued monthly to establish a Monthly Market Value. The Monthly Market Value is calculated by dividing net assets, less CESG deposits receivable, by the number of units in the Plan at the close of business on the last business day of each month.

4. Management fee / related party:

An annualized management fee of 1.95% is charged based on the aggregate market value of the Plan. The management fee is inclusive of administrative and trustee fees and is accrued monthly in arrears. For the year ended December 31, 2009, the Foundation has waived the management fee. Waiver of management fees for any year is at the discretion of the Foundation.

5. Fair values:

Investments are recorded at fair value.

The fair value of bonds, bank deposit notes and GICs are based on closing bid prices. The fair values of cash, receivable from the Foundation, short-term investments and accrued interest approximate their carrying values due to the short-term nature of these instruments.

6. Risk management:

The investment objectives of the Plan are to preserve its investments while maximizing the long-term rate of returns for Subscribers and are, therefore, affected by a number of

6. Risk management (continued):

economic factors, including changing economic environments and capital markets. As a result, the Plan faces various risk factors inherent in its normal investment activities. These risk factors are primarily credit risk, liquidity risk and market risk. In order to proactively address these risks, management has engaged a third party portfolio advisor to assist in investing the Subscribers' contributions and the investment portfolio income earned thereon. Management and the portfolio advisor perform periodic reviews of the investment portfolio to comply with the stated investment objectives.

(a) Credit risk:

Credit risk refers to the ability of the issuer of a debt security to pay interest and repay the principal. As with any debt security, there is an inherent risk that the issuer of a debt will fail to honour its promise to pay interest and repay the principal. This risk is mitigated by the Plan's investment strategy of investing in those debt securities with an approved credit rating, as defined in Section 1.1 of National Instrument 81-102 and further detailed in the Risk Factors section of the Prospectus dated August 14, 2009. All of the Plan's investments are with Canadian issuers. The maximum credit risk exposure of the Plan is detailed in note 2. The entire investment portfolio is of investment grade with most rated as "AAA" or "AA" by Dominion Bond Rating Services Limited and the minimum rating is "A".

(b) Liquidity risk:

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan minimizes this risk by (i) maintaining sufficient cash and cash equivalents, (ii) selecting investments for the portfolio that are active in the market and can be readily sold, and (iii) ensuring cash will be available by the anticipated payout dates applicable to the Subscribers.

(c) Market risk:

Market risk is the risk that the fair value of investments will fluctuate because of changes in market prices. The Plan's portfolio advisor attempts to mitigate this risk by periodical review of market conditions and the performance of the portfolio and make necessary changes to the portfolio in accordance with the investment objectives. Management has identified interest rate risk as a major risk factor related to the fixed-income portfolio, and it is discussed in detail in the Risk Factors section of the Prospectus dated August 14, 2009.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of fixed-income securities in the investment portfolio will fluctuate because of changes in interest rates. A rise in interest rates may have a negative effect on the bid prices of debt securities, while a decrease in interest rates may have a positive effect on the bid prices of debt securities held by the Plan. At December 31, 2009, if interest rates had been 25 basis points lower or higher, with all other variables held constant and assuming a parallel yield curve, the net assets of the Plan would have been higher or lower, respectively, by \$8,500 (2008 - \$9,000).

In practice, actual trading results may differ from the above sensitivity analysis and the difference could be material.

7. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



Securing Your Child's Future Since 1965

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