

CONSOLIDATED STATEMENT OF FINANCIAL  
CONDITION

CIBC World Markets Corp. and Subsidiaries  
Period Ended April 30, 2012  
(Unaudited)

# CIBC World Markets Corp. and Subsidiaries

## Consolidated Statement of Financial Condition

April 30, 2012

(000's Omitted, Except for Share and Par Value Information)

### Assets

Cash	\$ 21,921
Securities purchased under resale agreements	2,755,892
Securities borrowed	272,116
Receivable from broker-dealers and clearing organizations	69,973
Receivable from customers	985
Trading assets, at fair value, including \$25,000 of securities segregated in accordance with Rule 15c3-3	185,467
Due from affiliates – income taxes	20,357
Due from affiliates – service fees	13,686
Other assets	54,859
Total assets	<u>\$ 3,395,256</u>

### Liabilities and shareholders' equity

#### Liabilities:

Short-term note payable	\$ 34,471
Securities sold under repurchase agreements	2,253,690
Securities loaned	166,269
Payable to broker-dealers and clearing organizations	12,592
Payable to customers	14,882
Securities sold, not yet purchased, at fair value	112,176
Accrued employee compensation and benefits	82,690
Due to affiliates – service fees	1,012
Other liabilities and accrued expenses	17,756
	<u>2,695,538</u>

#### Shareholders' equity:

Common stock, par value \$0.25 per share; 6,800 shares authorized; 6,758 shares issued and outstanding	1,690
Additional paid-in capital	911,360
Accumulated deficit	(193,847)
Accumulated other comprehensive loss	(19,485)
	<u>699,718</u>

Total liabilities and shareholders' equity	<u>\$ 3,395,256</u>
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See notes to consolidated statement of financial condition.

# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition

April 30, 2012  
(000's Omitted)

### **1. Organization and Significant Accounting Policies**

#### **Basis of Presentation**

The consolidated statement of financial condition includes the accounts of CIBC World Markets Corp., a registered broker-dealer, and its wholly owned subsidiaries (collectively, the "Company"). The Company is a subsidiary of CIBC World Markets Holdings, Inc. ("Holdings"). Holdings are a wholly owned subsidiary of CIBC Delaware Holdings, Inc. ("DHI"). DHI is a wholly owned subsidiary of CIBC World Markets Inc. ("WMI"). WMI is ultimately a wholly owned subsidiary of the Canadian Imperial Bank of Commerce ("CIBC" or the "Parent"), Toronto, and Canada. The Company's operating results and financial condition could be significantly different from those that would have been obtained if the Company had been autonomous.

All intercompany balances have been eliminated upon consolidation.

The accompanying consolidated statement of financial condition of the Company as of and for the period ended April 30, 2012 have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and in accordance with Accounting Standards Codification ("ASC") as set forth by the Financial Accounting Standards Board ("FASB").

The following paragraphs describe our significant accounting policies, including the changes to our accounting policies effective since November 1, 2011.

#### **Nature of Business**

The Company provides its clients and counterparties with a full range of services in connection with securities transactions, investment banking, and acting as a dealer in securities.

#### **Securities and Commodities Transactions**

The Company executes trades for customers on both an agency and principal basis. Customers' securities and commodities transactions are recorded on a settlement date basis with related commissions income and expenses recorded on a trade date basis. Proprietary transactions are recorded on a trade date basis.

# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

### **1. Organization and Significant Accounting Policies (continued)**

#### **Trading Assets and Securities Sold, Not Yet Purchased**

Trading assets and securities sold, not yet purchased, are valued at fair value. The fair values of trading positions are generally based on the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

#### **Fair Value Measurements**

ASC 820, *Fair Value Measurement* ("ASC 820"), provides a single definition of fair value together with a framework for measurement, and requires additional disclosure about the use of fair value techniques to measure assets and liabilities. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under ASC 820, fair value measurements are disclosed by level within that hierarchy.

In May 2011, the FASB issued ASU No. 2011-04, "Fair Value Measurements and Disclosures (Topic 820) — Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 clarifies the application of existing fair value measurement and disclosure requirements, changes certain principles related to measuring fair value, and requires additional disclosures about fair value measurements. ASU No. 2011-04 is effective for periods beginning after December 15, 2011. Adoption of ASU No. 2011-04 is not expected to materially affect the Company's financial condition.

#### **Fair Value Option for Financial Assets and Financial Liabilities**

ASC 825, *Financial Instruments*, permits entities to choose to measure many financial instruments and certain other items at fair value. For these items, the Company has not exercised the option to adopt fair value for the current fiscal year.

# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

### 1. Organization and Significant Accounting Policies (continued)

#### **Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements**

Securities purchased under resale agreements and securities sold under repurchase agreements are treated as collateralized financing transactions. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the agreement and the transferor will obtain from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement. These agreements are recorded at the amounts at which they will be subsequently resold or repurchased plus accrued interest.

The Company's policy is to take possession of securities purchased under resale agreements, except under tri-party agreements where they are held by a third party custodian. As these transactions are short-term in nature, their carrying amounts are a reasonable estimate of fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements with the same counterparty are reported on a net basis on the Consolidated Statement of Financial Condition if the conditions of ASC 860, *Transfers and Servicing*, are met.

#### **Securities Borrowed/Loaned**

Securities borrowed and loaned transactions are generally reported as collateralized financings. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender.

The Company monitors the market value of securities borrowed and securities loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and loaned are recorded at contract value on the Consolidated Statement of Financial Condition. Securities borrow and loan transactions are substantially short-term in nature, and accordingly, their carrying amounts are a reasonable estimate of fair value.

# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

### **1. Organization and Significant Accounting Policies (continued)**

#### **Collateral**

The Company accepts and pledges collateral in connection with secured financing and securities borrowing transactions. Agreements covering these transactions may permit the secured party to sell or repledge the collateral. The Company monitors the risk of loss by assessing the fair value of the collateral accepted or pledged as compared with the related receivable, payable or other collateral exchanged, and requests additional collateral where deemed appropriate.

Collateral accepted from securities purchased under resale agreements and securities borrowing agreements are used to cover short positions, to enter into secured financing transactions, and for deposit requirements with clearing organizations.

#### **Furniture, Fixtures and Leasehold Improvements**

Furniture, fixtures and leasehold improvements are carried at cost, less accumulated depreciation and amortization and are included in other assets on the Consolidated Statement of Financial Condition. Depreciation of furniture and fixtures is provided on a straight-line basis over a period of 4 to 15 years. Depreciation of computer equipment and software is provided on a straight-line basis over a period of 2 to 7 years. Amortization of leasehold improvements is provided on a straight-line basis over the lesser of the economic useful lives of the improvements or the terms of the leases.

#### **Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and related disclosures. Estimates and assumptions are primarily made in the area of accounting for financial instruments, income taxes, contingent liabilities and employee pension and postretirement benefits. Actual results could differ from these estimates and assumptions.

# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

### 1. Organization and Significant Accounting Policies (continued)

#### Currency Translation

Assets and liabilities denominated in foreign currencies are translated at exchange rates at the Consolidated Statement of Financial Condition date.

#### Income Taxes

The Company uses the asset and liability method to provide for income taxes. The asset and liability method requires that income taxes reflect the expected future tax effect of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference and for unused losses for tax purposes, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. A valuation allowance is established, if necessary, to reduce the future income tax asset to an amount that is more-likely-than-not to be realized.

#### Share-Based Payments

The Company provides compensation to certain employees in the form of stock options, restricted share-based awards ("RSAs") and/or performance share units ("PSUs"). The Company records compensation expense for stock options, RSAs and PSUs based on the instruments' fair values on the grant dates in accordance with ASC 718, *Compensation – Stock Compensation*. In addition, forfeitures are required to be estimated upfront in the year an award is granted and are periodically reassessed and adjusted to reflect actual forfeitures. The holders of RSAs and PSUs are entitled to receive a cash dividend based on the dividends declared on the common stock of CIBC.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

#### 1. Organization and Significant Accounting Policies (continued)

##### Limited Partnerships

According to ASC 810, *Consolidation* (“ASC 810”), variable interest entities (“VIEs”) lack one or more of the characteristics of a voting interest entity. Under ASC 810, the determination of whether to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE, as well as the VIE’s purpose and design. The Company does not hold any investments in entities considered to be VIEs.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity’s operating and financial policies, the Company accounts for its investment in accordance with the equity method of accounting prescribed by ASC 323, *Investments – Equity Method and Joint Ventures*. This generally applies to cases in which the Company owns a voting or economic interest of between 20 and 50 percent.

The Company uses the accounting guidance issued by ASC 810 when determining whether a general partner controls a limited partnership. ASC 810 guidance is based on the fundamental principle that a general partner in a limited partnership is presumed to control the limited partnership, regardless of the extent of its ownership interest. Consequently, a general partner is required to consolidate the partnership unless the presumption of control can be overcome. The Company invests as a general partner in partnership structures that have another unrelated general partner. They work jointly to manage the partnership. Neither general partner can individually control or direct the actions of the partnership, therefore the Company’s interest in these partnerships are accounted for under the equity method.

##### Accounting for Uncertainty in Income Taxes

ASC 740, *Income Taxes* (“ASC 740”), requires that an entity recognize in the financial statements the impact of a tax position, if that position is more-likely-than-not to be sustained on examination by the taxing authorities, based on the technical merits of the position. Tax benefits resulting from such a position should be measured as the amount that has a greater than fifty percent likelihood on a cumulative basis to be sustained on examination. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.



# CIBC World Markets Corp. and Subsidiaries

## Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

### 1. Organization and Significant Accounting Policies (continued)

#### Accounting for Defined Benefit Pension and Other Postretirement Plans

ASC 715, *Compensation – Retirement Benefits* (“ASC 715”), requires an entity to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its Consolidated Statement of Financial Condition and to recognize changes in that funded status in the year in which the changes occur as a component of comprehensive income or loss. ASC 715 also requires an entity to measure the funded status of a plan at the statement of financial condition date.

#### Credit Quality of Financing Receivables

ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (“ASU 2010-20”), requires entities to provide extensive new disclosures in their financial statements about their financing receivables, including credit risk exposures and the allowance for credit losses. ASU 2010-20 is effective for entities with reporting periods beginning on or after December 15, 2010. The Company does not believe the adoption of ASU 2010-20 will materially impact the consolidated statement of financial condition.

#### Presentation of Comprehensive Income

On June 17, 2011, the Financial Accounting Standards Board issued an Accounting Standards Update 2011-05, *Comprehensive Income - Topic 220: Presentation of Comprehensive Income*. ASU 2011-05 is an amendment of the FASB Accounting Standards Codification’s Topic 220 designed to increase the quality of items that are recorded in Other Comprehensive Income (“OCI”) and improve comparability and transparency in financial statements. The amendment eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity and it is believed the guidance will make it easier for users of financial statements to determine the effect of OCI on a company’s overall performance. The Company must adopt the guidance in fiscal years ending after December 15, 2012 and annual periods thereafter.

### 2. Cash

Cash represents funds deposited with financial institutions that can be withdrawn without restriction. All cash is on deposit with major money center banks or the Parent.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

#### **3. Receivable from Broker-Dealers and Clearing Organizations and Payable to Broker-Dealers and Clearing Organizations**

The components of receivable from broker-dealers and clearing organizations and payable to broker-dealers and clearing organizations as of April 30, 2012 are as follows:

Receivable from broker-dealers and clearing organizations:	
Clearing organizations	\$ 26,230
Securities failed to deliver	13,009
Investment banking receivable	5,976
Receivable from Oppenheimer	23,551
Other	1,207
	<u>\$ 69,973</u>
Payable to broker-dealers and clearing organizations:	
Clearing organizations	\$ 2,767
Payable to broker-affiliate	9,455
Other	370
	<u>\$ 12,592</u>

Securities failed to deliver and securities failed to receive are substantially short-term in nature, and accordingly, their carrying amounts are a reasonable estimate of fair value.

Effective January 1, 2008, the Parent sold the Company's U.S. based investment banking, leveraged finance, equities, and related debt capital markets businesses and its Israeli investment banking and equities business (the "Transferred Business") to Oppenheimer & Co. Inc. ("Oppenheimer"). The sale to Oppenheimer of certain other U.S. capital markets-related business located in the U.K. and Asia closed in the fourth quarter of 2008. In consideration, Oppenheimer provided the Parent warrants for one million shares of Oppenheimer exercisable at the end of five years. In addition, Oppenheimer will pay the Company a minimum deferred purchase price of \$25,000 at the end of five years based on the earnings of the Transferred Business. Included in receivable from broker-dealers and clearing organizations on the Consolidated Statement of Financial Condition is \$23,551 which represents the current present value of the minimum deferred purchase price.

CIBC World Markets Corp. and Subsidiaries

Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

**4. Receivable from and Payable to Customers**

Accounts receivable and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables.

**5. Secured Financing Transactions**

At April 30, 2012, the fair value of collateral accepted under securities purchased under resale agreements and securities borrowed transactions was \$3,038,328, all of which was sold or re-pledged.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

#### 6. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements in financial statements.

The various inputs that may be used to determine the value of the Company's investments are summarized in three levels. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

*Level 1* – Quoted prices in active markets for identical securities.

*Level 2* – Significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

*Level 3* – Significant unobservable inputs (including the Company's own assumptions used to determine the fair value of investments).

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Common stocks and U.S. government securities:* Common stocks are valued at the closing price and U.S. government securities are valued at the last price from active markets.

*Corporate bonds:* Corporate bonds are valued using dealer quotes, bond market activity, and other market observable movements.

*Unregistered investment companies:* The Company's investments in unregistered investment companies are valued based upon the Company's applicable ownership interests in the net assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CIBC World Markets Corp. and Subsidiaries

Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

**6. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Company's investments at fair value as of April 30, 2012.

	Assets at Fair Value as of			
	April 30, 2012			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 84	\$ –	\$ –	\$ 84
U.S. government securities	25,045	–	–	25,045
Corporate bonds	–	148,563	–	148,563
Unregistered investment companies	–	–	11,775	11,775
Total trading assets, at fair value	\$ 25,129	\$ 148,563	\$ 11,775	\$ 185,467

	Liabilities at Fair Value as of			
	April 30, 2012			
	Level 1	Level 2	Level 3	Total
Common stocks				
U.S. government securities	\$ 8,139	\$ –	\$ –	\$ 8,139
Corporate bonds	–	104,037	–	104,037
Total securities sold, not yet purchased, at fair value	\$ 8,139	\$ 104,037	\$ –	\$ 112,176

There have been no transfers between Level 1, Level 2 or Level 3 assets or liabilities since October 31, 2011.

Trading assets with a market value of \$25,000 have been segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3.

The Company may sell securities short. A short sale is a transaction whereby the Company sells securities it does not own in anticipation of a decline in the market price of the securities as part of a hedging strategy or to facilitate a transaction. The Company is obligated to repurchase the securities at their market price at the time of replacement. Cash related to short sales is restricted until the securities are purchased. Short sales involve certain risks and special considerations.

The majority of the Company's investments in unregistered investment companies relates to a single company whose strategy is to originate collateralized debt and provide financing to middle

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### 6. Fair Value Measurements (continued)

market and distressed companies. The Company may not redeem this investment without prior approval from the unregistered investment company's board of directors.

#### 7. Related Party Transactions

In the normal course of business, the Company engages in various transactions with CIBC and affiliates. These transactions include, but are not limited to, repurchase and reverse repurchase agreements, securities borrowed and loan securities loaned, trade execution and custodial services, and services related to investment banking and financial products activities.

The Company and its affiliates purchase goods and services from unaffiliated entities under contracts where each company in the affiliated group pays their pro-rata share of the external invoice. The Company does not consider payments made under these contracts to be related party transactions.

The following amounts related to transactions with CIBC and affiliates are included in the accompanying consolidated statement of financial condition:

#### **Assets**

Cash	\$	1,625
Securities purchased under resale agreements		413,807
Receivable from broker-dealers and clearing organizations		10,618
Due from affiliates – income taxes		20,357
Due from affiliates – service fees		13,686
Other assets		45,567

#### **Liabilities**

Securities sold under repurchase agreements		1,053,686
Securities loaned		166,269
Payable to broker-dealer and clearing organization		9,455
Payable to customers		247
Due to affiliates – service fees		1,012
Short-term note payable		34,471

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### **7. Related Party Transactions (continued)**

Included in payable to customers is an affiliate customer payable that does not meet the definition of customer under Rule 15c3-3.

#### **8. Liabilities Subordinated to Claims of General Creditors**

The Company has two \$250,000 revolving subordinated loans which expire on July 29, 2016 and July 31, 2017, respectively. The two \$250,000 revolving subordinated loans represent commitments by an affiliate to fund the Company and were not utilized as of April 30, 2012. The Company is not charged a fee for unutilized commitments.

The revolving liabilities are subordinated to all existing and future claims of all non-subordinated creditors of the Company. They have been approved as regulatory capital and would constitute part of the Company's net capital under the Securities Exchange Commission's ("SEC") Uniform Net Capital Rule 15c3-1 (the "Uniform Net Capital Rule") and Commodity Futures Trading Commission ("CFTC") Regulation 1.17(d) and 1.17(h) if utilized by the Company.

#### **9. Income Taxes**

The Company is part of the consolidated group for purposes of filing its U.S. federal income tax return filed by DHI. In addition, the Company is part of a general corporation combined group with various affiliates for New York State ("NYS") and New York City ("NYC") income tax purposes.

Pursuant to an intercompany tax allocation agreement, the Company's current tax liability or benefit does not reflect amounts that would be computed as if a separate tax return had been filed for federal, NYS and NYC income tax purposes. The Company's loss and credit utilization are calculated to the extent the consolidated group has capacity to utilize such loss and credit carryovers.

Under ASC 740, temporary differences between recorded amounts and the tax bases of assets and liabilities are accounted for at future income tax rates. Under certain circumstances, estimates are used in determination of temporary differences.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### **9. Income Taxes (continued)**

As of April 30, 2012, the amount due from DHI that pertains to income taxes was \$20,357 recorded as due from affiliates – income taxes in the Consolidated Statement of Financial Condition. Included in such amounts due from DHI are net deferred tax assets of \$23,510. The principal temporary differences that give rise to the Company's deferred tax assets are partnership investments, depreciation, mark-to-market securities, and pension benefits.

During 2011, NYS proposed to combine the DHI Article 32 and Article 9A tax filing groups as a single Article 32 group for 1998 and all subsequent tax years. We estimate the allocable NYS and NYC liability for the Company arising from the NYS audit to be approximately \$4,540 including interest and have recorded a liability for such in accordance with ASC 740-10. However, as this audit is still ongoing, the estimated liability could change upon finalization.



## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### 10. Commitments and Contingencies

##### Long-Term Lease Commitments

The Company leases office space, under non-cancelable operating leases expiring on various dates between 2013 and 2017. At April 30, 2012 aggregate minimum rental commitments for non-cancelable leases are as follows:

Year ending April 30:	
2013	\$ 1,757
2014	1,767
2015	1,036
2016	194
2017	47
	<u>\$ 4,801</u>

Some of the Company's leases contain escalation provisions for tax and operating expenses. In addition, some of the Company's leases contain provisions for optional renewal, which are at the Company's option with defined terms.

At April 30, 2012, the Company remained primarily liable for minimum rental commitments for leases on premises that have been surrendered to the landlord or subleased to a third-party tenant. The Company's commitments on these leases expire on various dates between 2013 and 2017. The Company has provided reserves for any projected losses on these subleases. Included in the reserves for projected losses on these subleases, is \$4,447 of sublease loss that the Company has assumed on behalf of an affiliate. This lease is not included in the above table.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### 10. Commitments and Contingencies (continued)

##### Assigned Lease Commitments

In connection with the sale of its U.S. Wealth Management Division to Oppenheimer in 2003, the Company also remains contingently liable under the terms of the leases that have been assigned to Oppenheimer in the event of an Oppenheimer default. At April 30, 2012, future minimum rental payments for these leases for which the Company is contingently liable are as follows:

Year ending April 30:	
2013	\$ 3,448
2014	3,574
2015	2,119
2016	303
	<hr/>
	\$ 9,444
	<hr/>

##### Other Commitments

At April 30, 2012, the Company had outstanding commitments for securities purchased under resale agreements, to fund investments in partnerships and a letter of credit of approximately \$250,000, \$1,119 and \$30, respectively.

##### Litigation

The Company is a party to a number of legal proceedings, including regulatory investigations, in the ordinary course of its business. While there exists an inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, the Company does not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on the Company's financial position. However, the outcome of any such matters, individually or in aggregate, may be material to our operating results for a particular year.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### **11. Employee Benefit and Other Compensation Plans**

The Company participates in a defined contribution plan administered by an affiliate, which meets the requirements of Section 401(k) of the Internal Revenue Code. A plan participant may contribute between 2% and 50% of their base salary on a before tax or after tax basis, subject to Internal Revenue Service (“IRS”) limitations. The Company matches up to 50% of a participant’s contribution, up to 6% of the participant’s base salary. The Company provides compensation to certain employees in the form of share-based awards and/or stock options of CIBC.

Under the RSA and PSU plans, certain key employees are granted awards to receive the cash equivalent of CIBC common shares. RSAs and PSUs settle in the cash equivalent of CIBC common shares. In general, RSAs vest one-third annually beginning in the year after the grant and PSUs vest at the end of three years from the grant date.

The Company has executed an immunization agreement with the Parent whereby the Company assumed the liability to its employees and recorded the difference in fair value between grant date and measurement date. Additionally, under the immunization agreement, the Parent bears the risk of any fair value changes between grant date and measurement date. Included in other assets on the Consolidated Statement of Financial Condition is \$45,567 which represents the receivable from the Parent for RSA’s granted to employees. Also, included in accrued employee compensation and benefits is \$23,557 due to employees for RSAs. Both the receivable from the Parent and the amount due to employees fluctuate based on the changes in the price of CIBC common shares.

Awards are granted to employees by the Parent and are settled by the Parent.

#### **12. Postretirement Benefits**

##### **Healthcare**

Through the CIBC World Markets Retiree Health and Life Insurance Benefits Plan which is administered by an affiliate, the Company currently provides certain healthcare and life insurance benefits to eligible retired employees. Eligible retirees share in the cost of the healthcare benefits. The Company and its affiliates share in the cost of the plan based on their respective number of active employees.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

(000's Omitted)

#### 12. Postretirement Benefits (continued)

##### Pension Benefits

The Company, other affiliates and U.S. employees of CIBC participate in the CIBC World Markets Retirement Plan for US Employees, the CIBC Unfunded Expatriate Retirement Income Plan and the CIBC Employment Contracts (collectively the "Pension Plan). Under IRS regulations each of the affiliated companies is jointly and severally liable for the Pension Plan. The Pension Plan is a noncontributory defined benefit plan whose benefit payment formula is generally based upon a retired employee's length of service and a percentage of qualifying compensation during the final years of employment. The Company and its affiliates share in the cost of the Pension Plan based on their respective number of active employees. The Pension Plan records do not enable the allocation of the Pension Plan by company, therefore the actuarial information presented is for the entire Pension Plan.

The Pension Plan assets are held in trust. Pension Plan fiduciaries set investment policies and strategies for the Pension Plan. Long-term strategic investment objectives include preserving the funded status of the Pension Plan and balancing risk and return. The Pension Plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations.

The following is a description of the valuation methodologies used for Pension Plan assets measured at fair value.

*Registered investment companies:* Valued at the net asset value ("NAV") of shares based on quoted prices in active markets for identical securities.

*Unregistered investment companies:* The Company's investments in unregistered investment companies are valued based upon the Company's applicable ownership interests in the net assets. Net assets include gains/losses on underlying investments of the unregistered investment company as well as other income/expenses of the unregistered investment company.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### 12. Postretirement Benefits (continued)

The following table sets forth by level, within the fair value hierarchy, the Company's Pension Plan assets at fair value as of April 30, 2012:

	<b>Assets at Fair Value as of</b>			
	<b>April 30, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Registered investment companies:				
U.S. Government	\$ 42,259	\$ –	\$ –	\$ 42,259
Equity Index	22,756	–	–	22,756
Money Market	–	921	–	921
Total registered investment companies	<u>65,015</u>	<u>921</u>	<u>–</u>	<u>65,936</u>
Unregistered investment companies:				
Equity Index	–	10,707	–	10,707
Total unregistered investment companies	<u>–</u>	<u>10,707</u>	<u>–</u>	<u>10,707</u>
Total assets, at fair value	<u>\$ 65,015</u>	<u>\$ 11,628</u>	<u>\$ –</u>	<u>\$ 76,643</u>

#### 13. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk

In the normal course of business, the Company enters into securities transactions with various counterparties. If the securities subject to such transactions are not in the possession or control of the Company, the Company is subject to risk of loss if the security is not received and the fair value has increased over the contract amount of the transactions.

The Company enters into various transactions in financial instruments with off-balance sheet risk in order to meet the needs of its clients, to manage its exposure to market risks and in connection

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### **13. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)**

with its normal proprietary trading activities. Each of these transactions contains varying degrees of off-balance sheet risk.

As agent, the Company executes securities and commodities transactions on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the fair value of the security or commodity contract is different from the contract value of the transaction.

The Company may deliver securities as collateral in support of various secured financing sources such as bank loans, securities loaned and repurchase agreements. In such circumstances, the Company may incur a loss up to the amount by which the fair value of the securities delivered exceeds the fair value of the loan or other collateral received or in the possession or control of the Company. Additionally, the Company delivers customer securities as collateral to satisfy margin requirements of various exchanges. In the event the counterparty is unable to meet its contractual obligation to return customer securities delivered as collateral, the Company may be obligated to purchase the securities in order to return them to the customer.

As a general partner, the Company may be liable for the obligations of various limited partnerships engaged primarily in securities investments and real-estate activities. Such liabilities, if any, for the obligations of the partnerships are not expected in the aggregate have a material adverse effect on the Company's financial position.

The majority of the Company's transactions and, consequently, its credit exposures are with customers, broker-dealers and other financial institutions in the United States. These activities primarily involve collateralized arrangements and may result in credit exposure in the event that the counterparty fails to meet its contractual obligations.

The Company's exposure to credit risk can be directly impacted by volatile securities markets, which may impair the ability of counterparties to satisfy their contractual obligations.

The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counterparties'

## CIBC World Markets Corp. and Subsidiaries

### Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

#### **13. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk (continued)**

financial conditions and credit ratings. In addition, the Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

#### **14. Net Capital Requirements**

As a registered broker-dealer and member firm of the Financial Industry Regulatory Authority (“FINRA”), the Company is subject to the Uniform Net Capital Rule. The Company has elected to use the alternative method, permitted by the Uniform Net Capital Rule, which requires that the Company maintains minimum net capital, as defined, equal to the greater of \$1,500 or 2% of aggregate debit items arising from customer transactions, as defined. FINRA may prohibit a member firm from expanding its business and declaring dividends if its net capital is less than 5% of aggregate debit items. As a futures commission merchant regulated by the CFTC, the Company is subject to the risk-based minimum net capital requirements adopted and administered by the CFTC and by certain commodity exchanges in the United States and in foreign locations. In the United States, the Company is required to maintain adjusted net capital equivalent to \$1,000 or the sum of 8% of customer and 8% of the non-customer risk maintenance margin requirement as defined by the CFTC or the minimum amount required by the Uniform Net Capital Rule, whichever is greater.

As of April 30, 2012, the Company’s net capital under the Uniform Net Capital Rule was \$500,689. The amounts in excess of the greater of the minimum amount required by the Uniform Net Capital Rule or the CFTC minimum requirement; and the greater of 5% of aggregate debit items or \$1,800 or the CFTC early warning level were \$499,189 and \$498,889 respectively.

The financial information of the Company’s subsidiaries is included in the accompanying consolidated financial statements but not included in the Company’s unconsolidated net capital computation.

CIBC World Markets Corp. and Subsidiaries

Notes to Consolidated Statement of Financial Condition (continued)

*(000's Omitted)*

**14. Net Capital Requirements (continued)**

As of April 30, 2012, these balances consisted of:

	<b>Totals per Unconsolidated Form 17A-5</b>	<b>Subsidiary Balances</b>	<b>Effect of Intercompany Eliminations</b>	<b>Totals per Consolidated Statement of Financial Condition</b>
Assets	\$ 3,395,120	\$ 807	\$ (671)	\$ 3,395,256
Liabilities	2,695,402	4	132	2,695,538