

## **Relationship Disclosure (Advisory Accounts)**

The purpose of this Relationship Disclosure is to help you better understand the nature of the advisory account services that Haywood Securities Inc. provides and what you can do to help ensure a satisfactory ongoing relationship with us.<sup>1</sup>

### **1. The services and types of accounts we offer.**

In an **advisory account** you approve all investment decisions, whether you have relied on the advice of your investment advisor or not.

Advisory accounts may be either **commission** or **fee-based accounts**.

A **commission-based account** is an account in which you will be charged a commission for each transaction made for your account (buy or sell). Sometimes investments purchased on your behalf may also pay us fees, such as trailer fees in the case of mutual funds and agent's fees in respect of new issue business.

A **fee-based account** is an account in which you will be charged an annual fee, billed monthly based on a percentage of the value of the securities held in the account.

Commission and fee-based account rates are established by you and your investment advisor in accordance with industry standards and our firm's policies.

With your advisory account, whether commission or fee-based, you may open one or more of the following account types:

- Cash Account
- Margin Account
- Registered Retirement Savings Plan Account (including Locked-In and Spousal)
- Registered Retirement Income Fund Account (including Locked-In and Spousal)
- Registered Education Savings Plan Account
- Tax Free Savings Account

All accounts may be denominated in Canadian or US currency and, except for cash accounts, may also be approved to trade options.

Please consult your investment advisor about how each of these accounts operate and which one(s) best meet your investment objectives.

### **2. The types of products we offer.**

We offer a wide range of investment products, including stocks, bonds, money market, listed equity options, exchange traded funds, mutual funds, and new issues. Your investment advisor can explain these investment products to you, as well as how they work, their risks and potential returns, and whether they are appropriate for you.

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<sup>1</sup> We will notify you of any update to this Relationship Disclosure and will post the updated Relationship Disclosure in the **Client Agreement and Notices** menu located on the home page of our website [www.haywood.com](http://www.haywood.com).

### 3. How we determine what investments are suitable for you.

Before we provide you with an investment recommendation we will first determine if our recommendation is suitable for you according to our understanding of the information you have given us when you completed or last updated your account documentation. This information is commonly referred to in the securities industry as “Know Your Client Information” or KYC Information. That is why keeping your KYC Information up-to-date and accurate is very important. Without current and accurate KYC Information we cannot give you suitable recommendations or reliable investment advice.

We also undertake a suitability assessment in respect of any trading instructions you give us to buy or sell an investment that we do not recommend. Our suitability assessment may be affected by the urgency of your trading instructions or our ability to (timely) access reliable information about your proposed investment. If we believe that your trading instructions are not suitable for you, we will advise you against proceeding with the order and either execute the order with a formal notation of our cautionary advice (and, if necessary a request for you to update your KYC information), or refuse to execute your trading instructions.

It is very unusual that we refuse to execute our clients’ trading instructions, but we may exercise our contractual and regulatory prerogative to do so in the case of a wholly unsuitable trade.

The main factors that guide us in determining whether an investment is suitable for you are:

- **Your Financial Situation:** We learn about your fixed and financial assets, current and long-term liabilities and the sources and amount of your income.
- **Your Investment Knowledge:** We assess the level of your investment knowledge.
- **Your Investment Needs and Objectives:** We learn about your financial goals to help us determine your need to keep your money safe, earn income or increase your capital through growth in the market value of your investments.
- **Your Time Horizon:** We learn about when you expect to need your financial assets (for example, to buy a house, pay for education or enter retirement) and how important it is for you to have the ability to quickly and easily convert to cash all or a portion of your investments without experiencing a significant loss in their value.
- **Your Risk Tolerance:** We assess your ability to tolerate fluctuations in the value of your account(s) and the potential for the temporary and permanent loss of your investment.
- **Your Risk Capacity:** We assess your ability to sustain temporary and permanent losses of capital. A person’s risk capacity will depend on their overall level of savings, their ability to generate income in the future, and their future expected expenses. The higher a person’s risk capacity, the better they are able to sustain temporary and permanent losses of their invested capital.
- **Your Investment Portfolio Composition and Risk Level:** We assess how the purchase or sale of particular securities affects the composition of your account(s) in terms of allocation of holdings between debt, equity and other investment classes, the risk of the assets held, and the overall diversification of your investments.

We use the above factors to establish your investment profile. Our understanding of your profile is critical because it will help us suggest the allocation of your financial assets and their risk level. Your investment profile will also enable us to determine (for each account you open) whether you have a low risk, medium risk, medium-high risk, or high to very high risk tolerance. We will then recommend an appropriate risk rating for your account that best corresponds with your profile and the type of investing you wish to undertake (A = Income/Low Risk; B = Balance/Medium Risk; C = Growth/Medium-High Risk; D = Aggressive Growth/High to Very High Risk).

For investors with higher risk tolerance, your profile will specifically enable us to determine the degree of concentration in one or more securities or sectors your account can be invested in.

The risk associated with each account (A to D) is the overall investment risk of the account portfolio and not its specific holdings. We rate investments from low to very high risk. For example, a GIC is low risk whereas investing in the stock of a junior exploration company is very high. We consider all stocks to be at least a medium risk investment.

We will conduct a suitability determination when: accepting each of your orders or series of orders; recommending a security or strategy to you; securities are deposited or transferred to or out of your account(s); your investment advisor or portfolio manager changes; when we become aware that there has been a material change in your personal or financial circumstances or objectives, and in the absence of any of the above triggering events, at least once every 36 months. If during our suitability determination we identify any concerns, we will discuss them with you.

Given the long-term nature of investing for most clients, we do not automatically review the suitability of the investments in your account(s) when there are market fluctuations, even large fluctuations. Your investment advisor is ready to discuss the effect of market fluctuations on your portfolio with you when you request. We encourage you to speak with your investment advisor, especially if you anticipate the need to convert your assets to cash in the near future or there has been any other material change in your financial or personal information which may affect your investment objectives, risk tolerance, or risk capacity.

4. **The ways we will avoid, manage, or disclose conflicts of interest which may arise as we serve the interests of you and others.**

In the course of our usual activities, we assume a responsibility to act fairly, honestly, and in good faith with our clients. Given the nature of our business, conflicts of interest may arise between you and our firm, its employees, or our other clients.

We have policies and procedures in place to address the handling of conflicts of interest. Under these policies and procedures we avoid all conflicts prohibited by law as well as material conflicts which we cannot address in the best interests of our clients.

In all other situations when our interests may compete or conflict with yours, your interest is always given priority by our acting in one of two ways:

- We control or manage acceptable conflicts by taking such actions or instituting procedures that will adequately control or manage the conflict of interest.
- We disclose information about any remaining conflicts in order that you can assess independently the materiality of the disclosed conflict(s) when you evaluate our recommendations and actions.

A more detailed explanation of our Conflicts of Interest policy may be found in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com).

5. **The reports we will provide to help you monitor your financial assets and their performance, as well as the fees and charges you pay us or to third parties through us.**

**Confirmation of transactions:** We will provide you with written confirmation of the details of every purchase and sale made for your account(s) either electronically or by mail in the manner you elect when you open your account(s). Your trade confirmation will be sent to you no later than the next business day following the date of your transaction.

**Account statements:** For your account(s), a monthly statement will be provided for each month there is any account activity and in any event, on a quarterly basis. If you wish to receive a monthly statement otherwise, please contact your investment advisor. Your account statement confirms all account activity, including purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid, transfers, and any other transactions that occurred in your account(s) over the previous period. Account statements also list your current holdings and the value of your portfolio. The value of most securities you hold is calculated with reference to the closing price on the last day of the month in the reporting period of the statement. In the case of securities that have ceased trading, where the company is bankrupt, or in other circumstances where a reliable market value cannot be ascertained, no valuation is given.

**Performance reporting:** Quarterly, yearly and/or monthly annualized performance summaries will be available on request and provided without charge. At a minimum, we are obliged to send you a performance report on your account every 12 months. This annual performance report will include your annualized returns over one, three, five, and ten year periods from January 1, 2016. We are always looking for ways to improve the manner in which we can report to you and we will keep you informed on the timing of these changes and how to understand any new reporting formats we may utilize.

**Performance Benchmarks and How to Use Them:** You may assess the performance of your investments by comparing them to an investment performance benchmark. Benchmarks show the performance over time of a select group of securities. There are many different benchmarks. When choosing a benchmark, pick one that reflects your investments. For example, the S&P/TSX Composite Index follows the share prices of the largest companies listed on the Toronto Stock Exchange. This index would be a good benchmark for assessing performance of a Canadian equity fund that invests only in large Canadian companies. It would be a poor benchmark if your investments are diversified in other products, sectors, or geographic areas.

We do not provide benchmark comparisons in our monthly account reporting, however comparisons to the major North American composite indices are available upon request and may be periodically provided to you by your investment advisor. Please speak to your investment advisor if you have questions about the performance of your portfolio.

**Fees and charges paid:** Our commission charges for the purchase and sale of securities for your account(s) are recorded on the trade confirmation transaction records that are issued for each purchase and sale. Securities not traded on a public marketplace, such as treasury bills, banker's acceptance and corporate bonds are sometimes purchased or sold net of any applicable commission or fee. For fee-based accounts our fees are recorded on your monthly account statement in accordance with rates you establish with your investment advisor.

If you make a trade involving a security which is denominated in a currency other than the currency of the account in which the trade is to settle, a conversion of currency is required. In such instances, we will act as principal with you in converting the currency at rates established by us. We may earn revenue in addition to the commission applicable to such a trade, based on the difference between the applicable bid and ask rates for the currency and the rate established in the market.

If you purchase a security using margin, or in the event you do not timely settle a trade for your account, you will be charged interest until the trade is fully paid for. In such instances your account will be charged interest at rates established by us in accordance with industry standards.

If you invest in a mutual fund, the type of charges you will incur on that investment will vary between individual mutual funds and the investment companies who manage the fund. Before you invest in any such product, please ensure that you consult your investment advisor on the applicable charges.

All other fees for our services are published in the **Administration Fee Schedule** located in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com) home page.

## 6. What you can do and other helpful information.

**Provide complete information:** We must emphasize how important it is for you to provide us with complete and accurate KYC Information.

**Keep us up to date:** You should promptly inform us of any change to the information you have provided that could reasonably result in a change to the types of investments appropriate for you. Such information includes a material change in your income, investment needs and objectives, risk tolerance, risk capacity, time horizon or net worth.

**Remain informed:** Keep current of the research material or other information we provide or make available to you including the documentation located in the Client Agreement and Notices menu on our [www.haywood.com](http://www.haywood.com) home page.

**Ask us questions:** Ask questions and request information from us to resolve any questions you have about your account(s), transactions or investments, or your relationship with us.

**Stay on top of your investments:** Timely review of all account documentation and other information we provide you.

**If you have a complaint:** We are committed to providing you with the level of service our clients have come to expect of us, including the prompt and fair resolution of any concern or complaint. If you are unable to satisfactorily resolve with your investment advisor any complaint or other concern you may have about the handling of your account(s), we would ask you to direct them to the Branch Manager of the branch where your investment advisor is located or to the attention of our Chief Compliance Officer. We encourage you to take the additional time to put any complaint or other concern you have in writing as it will form an accurate record and expedite a resolution.

Our **Branch Manager** or **Chief Compliance Officer** will promptly undertake an initial review of your concern or complaint and will either attempt to deal with or resolve it directly with you or refer it for investigation and resolution in accordance with our Complaints Handling Policy, a summary is located in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com) home page.

## 7. Trusted Contact Person and Temporary Holds.

If you are an individual client, Canadian securities regulations require us to ask you to provide the name and contact information for a person you trust (“Trusted Contact Person” or “TCP”) so that we may contact your TCP to assist us in protecting your financial interests, in certain circumstances. You are not obliged to provide us with a TCP. If you do, you authorize us to contact your TCP if we notice signs of potential financial exploitation or if you exhibit signs of diminished mental capacity which we believe, may affect your ability to make financial decisions relating to your account(s). We may also contact your TCP to confirm your contact information if we are unsuccessful in contacting you after repeated attempts, particularly if our failure to contact you is unusual. We may also ask your TCP to confirm the name and contact information of a legal guardian, executor, trustee or any other personal or legal representative such as an attorney under a power of attorney. In providing us with the name and contact information of your TCP, you confirm that we have your TCP’s permission to give us this information and that your TCP has agreed to act in this capacity. Ideally, your TCP has no financial authority over your account(s) or other involvement in making financial decisions for you.

If we have a reasonable belief that you are being financially exploited or that you are experiencing diminished mental capacity which may affect your ability to make financial decisions relating to your account(s), Canadian securities regulation permits us to place a temporary hold on your account or a particular transaction. In such event, we will provide you with a verbal or written notice explaining our actions, in addition to contacting your TCP as described above, provided we do not suspect your TCP being the cause of your possible financial exploitation.

## 8. A checklist of documents to be provided to you.

In connection with your new (updated) account(s) the following documents are available in the Client Notices and Agreements menu on the [www.haywood.com](http://www.haywood.com) home page:

For All Accounts

- ✓ Client Agreement
- ✓ Relationship Disclosure Advisory Accounts
- ✓ Conflict of Interest Statement
- ✓ Electronic Funds Transfers - Terms & Conditions
- ✓ Administration Fee Schedule
- ✓ Strip Bonds and Strip Bond Packages Information Statement
- ✓ Trading of Canadian Listed Securities – Best Execution Procedures
- ✓ Escheatment of Physical Securities

### For Option Accounts

- ✓ Risk Disclosure Statement (Exchange Contracts)

### Keeping You Informed (Regulatory Disclosure)

- ✓ Privacy and Protection of Personal Information Policy
- ✓ Explanation of the Limitation of Benefits Article & Treaty Statement
- ✓ Impacts on Certain Clients Under US Withholding Tax Rules
- ✓ Communication with Beneficial Owners of Securities
- ✓ Institutional Trade Matching Statement
- ✓ Business Continuity Plan
- ✓ How IIROC Protects Investors

### Handling Complaints

- ✓ Complaint Handling Policy
- ✓ IIROC Guide - An Investor's Guide to Making a Complaint
- ✓ Ombudsman for Banking Services and Investments - Investor Brochure
- ✓ Agent for Service Information

**After your Client Account Application has been formally approved and processed, a copy of your completed Application along with a Welcome to Haywood Letter will be mailed to you.<sup>2</sup> Please carefully review the completed Client Account Application to ensure the accuracy of the KYC Information and that your Account selection (A to D) accurately reflects your investment objectives and risk tolerance.**

Thank you for choosing Haywood Securities Inc.

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<sup>2</sup> If you have opened a Tax-Free Savings Account, Registered Education Savings Plan Account, Self-Directed Retirement Savings Plan or Self-Directed Retirement Income Fund copies of the application and Declaration of Trust will be included in the Welcome Letter.