



RELATIONSHIP DISCLOSURE

The purpose of this Relationship Disclosure is to help you better understand the nature of the advisory account services that we provide and what you can do to help ensure a satisfactory ongoing relationship with us.¹

1. Haywood Securities (USA) Inc. (“HUSA”)

HUSA is a U.S. broker-dealer registered with the SEC and a FINRA member. HUSA does not maintain a physical office presence in the U.S. HUSA is a British Columbia (Canada) company. All of its office premises are located in Canada, with its Head Office located in Vancouver, British Columbia.

HUSA is a wholly owned subsidiary of Haywood Securities Inc. (“Haywood Canada”). Haywood Canada is a British Columbia company and is registered under the Securities Acts of Canada to carry on the business of a securities dealer in Canada. HUSA’s registered representatives are dually registered with Haywood Canada. HUSA shares office premises with Haywood Canada. HUSA also engages and compensates Haywood Canada for certain administrative and support services.

HUSA and Haywood Canada are otherwise separate and distinct entities. **Clients of HUSA are not clients of Haywood Canada.** You can access more information on HUSA through our website at <http://www.haywood.com/usa>.

2. Order Routing and Trade Execution

Haywood Canada maintains direct order access to the Canadian marketplaces. HUSA business is focused in Canadian marketplace equities and therefore routes its client order flow to Haywood Canada for order execution. If HUSA order flow to Haywood Canada is for other than execution on a Canadian marketplace, Haywood Canada will use the facilities of an access dealer to the intended marketplace for the order routing. There is no payment for order flow arrangement between Haywood Canada and HUSA. However, Haywood Canada charges HUSA a monthly cost recovery fee for its order execution services.

HUSA does not conduct proprietary trading. Haywood Canada does. At times a Haywood Canada proprietary account may trade opposite your order in the marketplace. Haywood Canada maintains substantive policies designed to achieve client best execution and address potential conflicts of interest.

HUSA maintains client investment accounts only in USD denomination. Any trading by you in a Canadian or foreign market to the U.S. in currency other than USD will be subject to the cost of currency conversion for process into your account. HUSA does not mark-up (in the case of a purchase) or mark-down (in the case of sale) your trade execution price. Subject to applicable USD currency conversion your order market execution price will flow to the trade price as executed in your account.

3. Carried vs. Self Carried Accounts

HUSA operates both as an introducing broker dealer through Hilltop Securities Inc. (a U.S. resident, SEC registered broker dealer and FINRA member) whereby Hilltop provides carrying services for HUSA client accounts; as well as a self-carrying client account broker dealer. The type of your account(s) will depend on the investment activity that you conduct. Your Registered Representative will discuss with you your intended investment strategies and advise you what type of account(s) you will require to achieve your investment objectives.

A copy of the services provided by Hilltop as well as their relationship disclosure can be found at <https://www.hilltopsecurities.com>

¹ 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.

4. The services and types of accounts we offer.

As a broker-dealer, HUSA offers **commission-based accounts**, which is an account where 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. Commission account rates are established by you and your investment advisor in accordance with industry standards and our firm's policies.

You may open one or more of the following account types:

- Cash Account (see following note)
- Margin Account (limited to Hilltop carried accounts)
- Retirement Plan Accounts (limited to Hilltop carried accounts)

The activity permitted in a self-carried HUSA cash account is limited to the deposit and sale of securities for which the underlying issuer is listed on the Canadian marketplace.

All accounts are denominated in 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.

Option trading is restricted to options which are listed on a major U.S. exchange.

5. 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 suitable for you.

6. How we determine what investments are suitable for you.

Before we will 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. We cannot give you suitable recommendations or reliable investment advice without having current and accurate KYC Information.

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 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 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.

Your profile will also enable us to determine (for each account you open) whether you have a low risk, medium risk, medium to 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.

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 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 money market product is low risk whereas investing in stock in 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 your account(s); your registered representative changes; and, we become aware that there has been a material change in your personal or financial circumstances or objectives. 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 registered representative is ready to discuss the effect of market fluctuations on your portfolio with you when you request. We encourage you to speak with your registered representative, 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 or risk tolerance.

7. 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 interests 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 interests. Under these policies and procedures, we avoid material conflicts prohibited by law as well as conflicts which we cannot effectively control.

In all other situations when our interests may compete 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.

8. 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.

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 to you. 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 of 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.

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.

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 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 registered representative on the applicable charges.

All other fees for our services are published in our Notice of Customer Charges and Fees which is posted on our website www.haywood.com home page under Regulatory Notices – Client Notices and Agreements.

9. What you can do and other helpful information.

Provide complete information: We cannot emphasize enough 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 objectives, risk tolerance, 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 at <http://www.haywood.com/usa>.

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 Supervisor 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.

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. Please carefully review the completed Client Account Application to ensure the accuracy of the KYC Information accurately reflects your investment objectives and risk tolerance.

10. Other Important Information

The Firm and certain of its financial professionals have reportable disciplinary history. You can conduct further research on these events through the FINRA “BrokerCheck” at <https://brokercheck.finra.org/>

The SEC offers information specifically tailored to educate retail investors about financial professionals which include:

- Search tools to research firms and financial professionals;
- Information about brokers and advisers; and
- Information about brokers’ and advisers’ different services and fees.

Thank you for choosing Haywood Securities (USA) Inc.