



RELATIONSHIP DISCLOSURE

Beacon Securities Limited ("Beacon") believes the best way to help you meet your financial goals, and for us to keep serving you as a valued client, is to provide you with the account type(s) and access to investments in a way that best suits your needs. We want to help you save and invest in the way you are most comfortable with in the changing environment in which we live. We think we can do this most successfully if we both know what to expect from each other. For this reason, we would like you to have a good understanding of the products and services we offer; the features of your account(s) and how it/they operate(s); and our responsibilities to you.

We also want you to understand how your input through the "Know Your Client" (KYC) form you complete is critical to our meeting your expectations. For a mutually successful relationship, we promote active client participation by asking you to:

Keep us up to date. "Clients should provide full and accurate information to the firm and the registered individuals acting for the firm. Clients should promptly inform the firm of any change to information that could reasonably result in a change to the types of investments appropriate for them, such as a change to their income, investment objectives, risk tolerance, time horizon or net worth."

Remain informed. "Clients should understand the potential risks and returns on investments. They should carefully review sales literature provided by the firm. Where appropriate, clients should consult professionals, such as a lawyer or an accountant, for legal or tax advice."

Ask us questions. "Clients should ask questions and request information from the firm to resolve questions about their account, transactions or investments, or their relationship with the firm or a registered individual acting for the firm."

Stay on top of your investments. "Clients should pay for securities purchases by the settlement date. They should review all account documentation provided by the firm and regularly review portfolio holdings and performance."

The following is neither an exhaustive nor comprehensive discussion and is not intended to be such. It is intended to provide disclosure so that each of our clients are aware of issues that may be of interest to them and inquire further on how each of these issues may impact them.

[1] Services and Products

Our Product Offering

We offer a variety of products, including:

- Cash and cash equivalents
- Fixed income or debt securities, including exchange traded fixed income
- Equities (stocks) including warrants
- Investment funds such as mutual funds, exchange traded funds (ETFs) and Limited
- Partnerships
- Income trusts and new issues

Fees for administration are disclosed to you on the Beacon Fee Schedule which you receive at the time of account opening. These fees are generally related to expenses charged by third parties for services delivered to Beacon clients. Should our administrative Fee Schedule change, a new Fee Schedule will be mailed to you at least 60 days prior to any change in the fees taking effect.

Neither Beacon, nor any employee of Beacon, make representation or warranty in respect of the tax treatment of fees and commissions. We strongly recommend that each client seek independent tax advice regarding how respective fees may impact their individual tax situation.

Our Services

Beacon offers cash and margin accounts along with a full range of trust accounts, such as RRSPs, Locked In Registered Plans (LRSPs, LIRAs, and LRIFs), RRRFs, RESPs, and TFSA's.

We strive to be fully transparent by disclosing to you the various ways in which we are compensated for the products or services we provide to you. All commissions are fully disclosed on your trade confirmation and all fees are fully disclosed on your Beacon account statement.

Embedded Commissions and Fees

These fees and commissions do not appear on your trade confirmation resulting in these being the least transparent method of payment.

The most common of these are Deferred Sales Commissions ("DSC") and Annual Service Fees on mutual funds. These fees are fully disclosed to you in each mutual fund prospectus and are further disclosed as part of each fund's Management Expense Ratio ("MER"). If you need assistance in determining this amount, your IA will be pleased to assist you.

FE or Front-End Load: Pays an ongoing Annual Service Fee or "trailer" to the advisor of up to 1.25% per year. The advisor has the ability to charge an additional front end sales charge between 0% and 5% which gets deducted from your investment. These are most used when there is no specific "no-load" version of the same fund available.

DSC or Back-End Load: Most commonly known as DSC funds, Deferred Sales Charge funds and Declining Sales Charge funds. DSC funds pay an up-front commission to the dealer, typically 5%, a portion of which is paid to the advisor. This is not subtracted from your initial investment. The ongoing trailer to the dealer/advisor is lower than in a Front-End or No-Load structure in exchange for the lump sum, up-front commission. **NOTE:** You are subject to a redemption fee for the first seven (7) years (plus or minus depending on the fund company). The redemption fee normally starts at 5%, although in some cases it may be higher in the first year and gradually decline to zero. After seven (7) years there would be no fees to sell out of these funds. Normally, a redemption of 10% of the assets can be redeemed annually without incurring DSC charges.

Low Load: Similar to Back-End, or DSC, in structure, a Low-Load fund has a deferred, declining sales charge when the fund is redeemed. However, both the upfront commission to the advisor and the redemption fees are lower. The redemption fees apply to a shorter period, as well.

NL or No-Load: No initial upfront fees or DSC fees. There is an ongoing trailer to the dealer/advisor of up to 1.25% per year.

SAMPLE FUND – The sample fund is a Canadian Equity fund that has a management fee of 1.25% and other fees and expenses of 0.25%. Therefore the manufacturer's fee to operate this fund is 1.50%. The manufacturer also adds a "service fee". It is this service fee from which commissions are generated. The typical "service fee" is 1.00%. The MER of this fund would be 2.50% which is made up of management fees and other operating expenses of 1.50% plus service fees of 1.00%.

[2] Suitability

How we will assess the suitability of an investment when making recommendations to you:

Before we provide you with recommendations as to which investments to purchase, or if you ask us to buy or sell a security, we will first see if we believe that investment is suitable for you according to our understanding of the information you have given us when you completed the KYC form. That is why keeping this up to date and accurate is very important. We know many people are concerned about sharing some of this information, however, without all the necessary information, we may determine that the order you provided to us is not suitable for you in the context of your overall portfolio. In that case, we may advise against proceeding with the order and we reserve the right to request that you provide a letter to recognize that we advised against it.

The suitability factors that guide us in our decision as to an investment's suitability include what we understand to be your current:

1. **Financial situation:** What financial assets (deposits, investments) and liabilities (debt, mortgage) you have and the sources and amount of your income – we will consider the size of any transaction compared to the overall value of your net financial assets (assets minus liabilities).
2. **Investment knowledge:** Whether you consider yourself, or we understand you, to be a novice at investing, have some knowledge or feel you understand some of the new more complex financial products.
3. **Investment objectives:** What you tell us are your specific financial goals; this will help us determine how to balance the desire to keep your money safe (not lose principal), earn income, and increase your capital through growth in the market value of your holdings/account.
4. **Time horizon:** When you expect to need your financial assets, for example, to buy a house, pay for education or enter retirement.
5. **Risk tolerance:** Whether, even if you have many years to earn and save, you feel comfortable with the possibility of losing money in some years.
6. **Investment portfolio composition and risk level:** How the purchase or sale of particular securities affects holdings in your overall account(s) in terms of allocation of holdings between debt, equity and other classes, and the riskiness of the assets held.

Our understanding of your profile is critical. Some of the above factors are relatively easily answered with a "yes" or "no" or a number, however, some are more complex, particularly your risk tolerance.

The combination of these factors that make up your profile will help us suggest the allocation of your holdings between, for example:

registered (tax-advantaged) and non-registered accounts;
debt, equity, mutual fund and other instruments;
Canadian and foreign investments;
whether to borrow to invest rather than paying in cash only;
terms of specific instruments; and
the riskiness of both individual securities and the combination of securities in your portfolio.

Below we provide a summary of the procedures we use to help you understand how we bring all the information you provide to us into decisions as to what investments to recommend to you.

Suitability process:

We use a three-step approach to determine if an investment is suitable for you.

1. Based on discussion with you and your answers on the KYC form, we determine whether you are a risk-averse client, somewhat risk-tolerant or can accept higher losses in the search for higher gains.
2. We rate investments as low, medium or high risk. For example, a GIC is low risk whereas borrowing to invest in stock from companies in developing countries is very high risk.
3. We consider other relevant factors, for example:

Advised accounts: If you are risk-averse, but have a reasonable amount of financial assets and you want to invest a small amount of your overall account in a new issue of a start-up company run by someone you know and whose business acumen you respect, we would tell you that while the specific investment is not suitable for you, it might be acceptable if you can "afford" to lose some money, even that entire investment. An investment that is small in proportion to the total portfolio is not unsuitable.

If, when you place an order, what you would like to invest in is not consistent with what your profile suggests to us, we will advise against proceeding with the order. If the amount is sufficient to warrant an adjustment to KYC you will be asked to update your KYC.

Suitability review timing

We will also conduct a suitability review in context of the order or strategy and the six KYC suitability factors **when**:

1. Accepting each of your orders or
2. Recommending a security or strategy to you,
3. Securities are deposited or transferred to your account/(s); and/or
4. The advisor responsible for the account changes; and/or
5. There has been a material change in your personal or financial circumstances or objectives.

If during the suitability determination we identify any concerns, we will discuss them with you. If we are strongly concerned, may result in us terminating the relationship.

To ensure that the position(s) held in your account or accounts is/are suitable for you as time passes, we will review the suitability of the investments in your account(s) and your holdings altogether:

1. Annually; and
2. When required due to one of the reasons described above;

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 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 advisor, especially if you expect to need to convert your assets to cash in the near future (for example, for a major purchase such as a house), if you want to change when you retire and in the case of other major changes to your KYC profile.

[3] The ways we will avoid, manage or disclose conflicts of interest that may arise as we serve you, and others', interests

Actual, potential, and perceived conflicts of interest arise where an action or decision by someone has the effect of benefiting others at that person's expense. Such conflicts exist in almost all human interactions and, as we are an intermediary, acting for both buyers and sellers, conflicts will arise from time to time:

Between you and our firm, as well as between you and your advisor

Between you and our other clients: we act for many clients and must allocate investment opportunities among all of them fairly, so as not to favour intentionally one client over another

Between us and our related or associated companies.

The types of conflicts of interest that may exist can differ between account types:

Advised accounts: For example, Beacon will earn compensation by selling products and services to you for which you pay us. When Beacon is part of underwriting a new issue that you purchase; the issuer wants to receive the highest price, while the purchaser wants to receive the lowest price.

We have policies and procedures in place to address the handling of conflicts of interest.

We avoid conflicts prohibited by law as well as conflicts that we cannot effectively control.

In situations that we do not or cannot avoid, where 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 physically separating different business functions, restricting the internal exchange of information in person or through systems, reducing the possibility of one part of our organization unsuitably influencing another, removing the financial incentive of an employee to favour a particular product or service over another that may be more suitable, and setting up and testing our operational review and approval processes.

We disclose information about any remaining conflicts to you so that, when you evaluate our recommendations and actions, you can assess independently if conflicts are significant for you.

To help you understand and assess material potential and actual conflicts of interest, we have prepared a more detailed explanation of typical conflicts, with examples of what we do in the case of any material ones. It can be found at www.beaconsecurities.ca and in your new account package. **If you ever have any questions or concerns, whether they involve conflicts of interest or anything else, please ask your advisor for an explanation and more information.**

[4] 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

Confirmations: We provide you with written confirmation by post *mailed no more than two days following the transaction*, of the details of every purchase, sale, transfer or other relevant transaction details. Please look for and review your confirmation as soon as you receive it or it is available online.

Note: We do our utmost to avoid errors, however, misunderstandings and mistakes can happen. Please let us know within 10 days if you see any transactions that you do not recall or identify any errors.

Account statements: You will receive brokerage statements directly from our introducing carrier, National Bank Correspondents Network ("NBCN") on a monthly basis, if there has been trading activity or on a quarterly basis *if there has been no trading activity or only income generated by, for example, interest or dividends*. NBCN provides an independent confirmation of your holdings. 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 over the previous period. **Note:** These statements also list your current holdings and the net value of your portfolio as if you had closed all positions as of the date on the statement. The value of most securities you hold is calculated based on the closing price. In the case of securities that have ceased trading, where the company is bankrupt, or in the instance of thinly traded securities or Canadian Controlled Private Corporations (CCPCs), where external valuations are usually required at the owner's cost, and the cost can be significant, we use N/A (not available).

Performance: We do not currently provide you with the return on your investments over various periods. Please note that you may earn more or less than others may have made on the same investments or that you may read in market commentary due to differences in when you buy and sell securities

Future reporting enhancements: We regularly look at ways to improve the reporting and documents we provide to you to make them more informative, clearer and useful for you and other clients. We are working on changes related to account holdings, fees that you pay, and performance. As part of our service commitment, we will keep you posted on the timing of changes and how to understand new report formats. For updated information at any time, please ask your advisor or visit www.beaconsecurities.ca

[5] Other helpful information

We hope to enjoy a long successful relationship with you and look forward to serving you, your family and any people you may refer to us.

We feel you should be aware of general risks when investing. In any investment account you have, there are investment risks that will affect your account(s). The value of individual securities (unless specified) is not guaranteed; nor is the value of your portfolio guaranteed and you could lose part of, even all, of your investments. Unlike bank accounts or guaranteed investment certificates, the value of stocks, bonds, money market securities and funds is not covered by the Canada Deposit Insurance Corporation (CDIC) or the government deposit insurer. However, if Beacon should ever become insolvent, the Canadian Investor Protection Fund (CIPF) will ensure your cash and securities are returned to you a maximum of \$1 million or more, within CIPF limits. Please visit www.cipf.ca or review the CIPF Brochure in your client account opening package.

Risks that the value of your investments face include fluctuations in the market value due to micro and macro-economic conditions; risk-return trade-offs; risk relating to concentration; credit; interest and exchange rates; liquidity; structured products and derivatives; and regulatory risk. As the net equity of your portfolio will rise and fall, the value you receive when redeeming a security(ies) or your portfolio may be more or less than its(their) value when you bought it (them). There is also a risk of not investing and of holding savings in a deposit account. Over time, low interest rates will not allow financial assets to grow, on average, as much as inflation and may reduce the purchasing power of your holdings.

We think that open communication is important in a successful relationship. However, misunderstandings can arise and mistakes can occur. If you have complaints (or compliments), please let us know. Beacon Securities takes all complaints seriously. We will deal with every complaint fully, objectively and professionally. For more information, please visit us at www.beaconsecurities.ca

We will be providing the following documents to you at account-opening:

- A full copy of your completed Know Your Client Form and related Account Application Forms (e.g.: Registered Plan Applications, Electronic Funds Transfer Form, etc.)
- Statement of Policies (Complaints and Privacy)
- Canadian Investor Protection Fund (CIPF) brochure
- Arbitration for Clients of IIROC Member firms
- Beacon Securities Limited Fee Schedule (NBCN)
- Carrying Broker Disclosure Statement
- Strip Bond Disclosure
- Opening your Retail Account (IIROC Brochure)