



LAKE SHORE SECURITIES

DISCLOSURE DOCUMENT

DECEMBER 2018

Relationship Disclosure (RD)

Lakeshore Securities Inc. ("LSI") 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. Securities regulators have recommended that we promote active client participation for a mutually successful relationship. Regulatory guidance (*National Instrument 31-103: Registration Requirements, Exemptions and Ongoing Registrant Obligations*) encourages us to ask 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."

LSI will update the RD when there are material changes and subsequently refer you to our website at www.lakeshoresecurities.ca for the most current (RD). **If you later have any questions related to the contents of this document, or need to change your KYC information, please contact your financial advisor.** You will be provided with a copy of the KYC information that we get from you at the time of account-opening and when there are material changes to the information.

1. The services and products we offer

Here is a brief summary of the services and products we offer you:

Services

LSI provides advisory accounts and managed accounts for its retail clients.

Products

We offer the following investment products:

- ☐ Cash and cash equivalents
- ☐ Fixed income or debt securities
- ☐ Equities including warrants
- ☐ Investment funds such as mutual funds
- ☐ Alternative investments such as options, income trusts, and ETF's

Your advisor can explain these investment products to you, as well as how they work, their risks and possible returns, and whether they are appropriate for you. For more information, you can also read plain-language investment explanations in **Investment at a Glance** issued by the Canadian Securities Administrators.

2. The account(s) you have and how they operate

LSI offers its retail client's two basic account types and your advisor will work with you to determine the right account(s) and best services for you.

advisory or advised accounts: Your advisor is responsible for providing suitable and unbiased investment recommendations to you that meet the standard of care expected of a trained investment professional based on the KYC

information that you provide to us. You (or your authorized representative) direct(s) all trading and is (are) responsible for all investment decisions in your account.

Managed accounts: These are also referred to as “non-advisory” or “discretionary accounts” where your advisor independently exercises his or her authority (uses his or her discretion) to make investment decisions within the framework of your overall directions. He or she makes no recommendations to you and you make no decisions, as he or she invests on your behalf.

3. The fees you will be paying and how they are calculated

All fees are disclosed as required by regulation and vary depending on the accounts and services you use.

We offer you a choice of commission- and fee-based

Commission-based account

LSI charges a commission for each trade made in your account, based on either a flat dollar amount or a percentage of the value of the securities purchased or sold. The commission is negotiated between you and your advisor before the trade is executed in your account. The commission will be disclosed on your trade confirmation.

Fee-based account

LSI charges a fee that will be applied monthly or quarterly and charged against your account. It is calculated as a percentage of assets held in your account. More details are provided in the “Non-Discretionary Fee Based Agreement” and/or managed account agreement you sign at the time the account is opened.

Embedded Commissions and Fees

These fees and commissions do not appear on trade confirmations and they are the least transparent method of payment. The most common of these are Deferred Sales Commissions (“DSC”) on mutual funds and Annual Service Fees on mutual funds. LSI may receive compensation from the buying or selling of mutual funds, limited partnership units, tax shelter securities, Canada and Provincial savings bond commissions, trailers from these third parties.

Fees and commissions for mutual funds are fully disclosed to clients in each mutual fund prospectus and are further disclosed as part of each mutual fund’s Management Expense Ratio (“MER”). A comparison of an F Series versus DSC series for the same mutual fund quantifies the embedded amount of fees and commissions. Please ensure that you read the prospectus of the mutual fund that you are buying for all charges, commissions, fees, trailer fees, mutual fund manager fee and early redemption fees. If you need assistance in determining this amount, your investment advisor (“IA”) will be pleased to assist you.

In addition to DSC and Service Fees, New Issues and Principal Trades have embedded commissions. LSI does not conduct Principal Trading as part of its business model. Where such a trade might occur, you will be notified via your trade confirmation with the message “PRINCIPAL”. If such an event occurs, please speak with your IA to determine the embedded cost. When you buy certain fixed income products, our Carrying Broker, NBIN Inc. may act as principal. LSI does not share in any price mark-up charged by NBIN Inc. Embedded New Issue commissions are disclosed in each new issue prospectus. If you are unable to determine the amount of commission disclosed in the prospectus, please speak with your IA.

Interest Charge

If your account(s) is (are) in a debit position, we will deduct any interest charge from these accounts. The interest rates are available upon request.

Foreign Exchange

Exchange rates are available upon request.

Service Charges and Fees

Please review the “Service Charges and Fees” schedule which is included in the documents provided to you at the time of account opening or visit our website at www.lakeshoresecurities.ca.

4. 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 must advise against proceeding with the order.

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:** To assist you in describing your level of investment experience, the following guidelines are set out. It is expected that over a period of time with increasing exposure to various products your level of experience should increase.
You consider yourself or we understand you to be one of the four levels of investment knowledge experiences that are described as follows:

Sophisticated experience

If you have traded in most types of investment securities, this would include knowledge of options, commodities, speculative and short selling strategies and an appreciation of the risk rewards involved in trading these securities.

Good experience

This would include if you have traded or have knowledge of the basic characteristics of both fixed income securities and common shares, as well as basic understanding of the degree of risk and reward inherent in these types of securities.

Limited experience

If you have some investment experience but may not have a full understanding of the basic characteristics of the various types of securities and the degree of risk associated with these securities.

Poor/nil experience

If you have very limited or no knowledge of the basic attributes of securities or the workings of the markets.

3. **Investment objectives and Risk tolerance:** Risk tolerance for your accounts is a function of both ability to take risk and willingness to take risk. Your risk tolerance can be one of the following:

Low

I want to preserve my initial principal in my account, with minimal risk; even if that means that my account does not guarantee significant income or returns and may not keep pace with inflation.

Medium

I am willing to accept some risk to my initial principal and tolerate some volatility to seek higher returns over time, and understand that I could lose a portion of my money invested.

High

I am willing to accept high risk to my initial principal, including high volatility, to seek high returns over time, and understand that I could lose a substantial amount or potentially all of my money invested.

Your investment objectives are based on the risk you are able and willing to take.

Your investment objectives are to allocate the following (approximate) percentages of the assets held in my account(s) with our firm to:

- Liquidity – the ability to quickly and easily convert to cash
- Safety – you want to preserve the initial principal in the account
- Income – you want to establish a source of periodic income
- Growth – your investment objective is capital growth
- Speculative – you want to invest in high risk securities and/or trading strategies

You can choose to have specific investment objectives and risk tolerance for each account held at LSI.

4. **Time horizon:** The investment time horizon plays an important role in setting return objectives and defining liquidity constraints. Investment time horizon should be determined by considering when you will need to access some or all of the money in your account(s).

It should be indicated by one of the following ranges:

- 1-3 Years
- 3-5 Years
- 5-10 Years
- 10-20 Years
- Over 20 Years

When LSI recommends an order for you or accepts an order from you or your legal representative, we will review each order or strategy in the context of the five KYC suitability factors described above.

Our understanding of your five suitability factors is critical in helping us in recommending the proper asset allocation for your account(s).

LSI will assess the suitability of your investments in your account whenever:

- A trade is accepted
- A recommendation is made
- Securities are transferred or deposited into your account
- There is a change in the registered representative handling your account
- There is a material change in your KYC information

If during the suitability review we identify any concerns, we will discuss them with you and may be required by our regulators to document our discussion and, if we are strongly concerned with your decision to proceed with the investment or maintain unsuitable investments, we may refuse to execute the transaction or to terminate our relationship.

In order to ensure that the holdings in your account(s) are suitable for you as time passes, we will review the suitability of your investments in your account(s) on an annual basis and when required to by one of the reasons described above.

LSI will not review the investments held in your account(s) in the event of a major market correction or any other factors not described above. However, your advisor is ready to discuss the effect of market fluctuations on your portfolio with you when you request.

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

Confirmations: We provide you with written trade confirmation of the details of every purchase and sale in your account(s) by mail on the day the transactions are completed. Please review your confirmation as soon as you receive it.

Account statements: We will mail you a statement for March, June, September and December and for each month in which a transaction occurs.

Every confirmation, statement or other communication sent by NBIN Inc. and Lakeshore Securities Inc. shall be deemed to have been acknowledged as correct, being approved upon, by the client unless we shall have received written notice to the contrary within fifteen days after it is sent to the client.

Performance: You can request from your advisor to issue a special performance report regarding your account portfolio held at LSI. This service is provided free of charge to our clients. This report will provide you with the position cost and account activity information and the percentage return of your account(s).

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. As part of our service commitment, we will keep you posted on the timing of changes and how to understand new report formats. Please speak with your advisor or visit us at www.lakeshoresecurities.ca for updated information.

Checklist of documents to be provided to you at account-opening:

- Copy of your New Client Application Form (NCAF)
- Disclosures – Document dated December 2018
- Strip Bonds and Strip Bond Packages Information Statement
- Opening Your Retail Account Brochure
- An Investor's Guide to Making a Complaint Brochure
- How IIROC Protects Investors
- Canadian Investor Protection Fund (CIPF) Brochure
- Introducing Carrying Broker Disclosure Statement
- Option Agreement (if applicable)

Performance Benchmarks and how to use them

Comparing your portfolio's performance to that of an appropriate benchmark is a useful exercise for monitoring purposes. Your rate of return is affected by, among other things, changes in the value of your securities, dividends and the interest you earn, as well as when you make deposits and withdrawals.

Investment benchmarks usually provide a broad measure of the return generated by specific asset classes over a given period. They are often referred to as reference indices since the most common form of investment benchmarks is an index – such as a stock or bond index. A benchmark must replicate the security or portfolio you are monitoring as closely as possible for the comparison to be meaningful. Examples of benchmarks would include the S&P/TSX Composite for Canadian stocks, the DEX Universe for Canadian bonds and the S&P 500 for US stocks.

We may provide the following benchmarks in our account reporting:

DEX Universe Bond Index: is designed to be a broad measure of the Canadian investment-grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value.

S&P/TSX Composite: is the headline index and the principal broad market measure for the Canadian equity markets. It includes common stocks and income trust units.

S&P/TSX 60: is a subset of the S&P/TSX Composite. It has 60 constituents and represents Canadian large cap securities with a view to matching the sector balance of the S&P/TSX Composite.

Dow Jones Industrial Average (DJIA): is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

S&P 500: index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

NASDAQ Composite Index: A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

For more information about comparing your portfolio's return to a benchmark, please don't hesitate to contact your Investment Advisor.

Complaint Handling Procedures

Please review the document "Lakeshore Securities Inc. Client Compliant Procedures" which is included in the documents provided to you at time of account opening or visit us at www.lakeshoresecurities.ca.

Lakeshore and Approved Person conflicts of interest

LSI will disclose to you existing and potential material conflict that cannot be avoided. See page 7 to 11 of this document under Conflicts of Interest and Statement of Policies for our procedures and disclosures regarding our handling of conflicts of interest.

Conflicts of Interest

General Description

Actual, potential and perceived conflicts of interest exist in almost all human interactions. Our relationship with you is no different. For instance, Lakeshore Securities Inc. ("LSI") is a for profit business and has a responsibility to maximize returns for our shareholders. As well, LSI has other various stakeholders, all of whom rely on LSI to operate profitably in order to honour the interests of those stakeholders as expected under the Business Corporations Act (Ontario) and pursuant to securities industry financial compliance regulations. We believe the best way to achieve our goal is to provide you with trusted advice and personalized financial solutions that help you achieve your financial goals. Our objective is to serve your financial goals, which is our best way to retain your continued patronage and in turn encourage you to recommend our services and products to others.

In addition to our objective to serve your financial goals in alignment with our business interests, Canada has comprehensive and extensive securities rules and regulations, many of which are designed to protect client and investor interests, including dealing with conflicts of interest. We suggest that you refer to the websites and publications of the provincial securities commissions through the Canadian Securities Administrators (CSA) and Investment Industry Regulatory Organization of Canada (IIROC) for more information on how Canadian securities regulations address conflict of interest in order to safeguard the investing public.

Description of Our Firm

LSI is what is referred to as an "introducing broker" (IB) investment firm. Our client accounts are held in a custody arrangement with our Carrying Broker (CB), National Bank Independent Network ("NBIN"), a subsidiary of National Bank Financial. NBIN executes settles and reports all your trade activity to you and provides LSI (and consequentially to you) with a contractual indemnity assuring you that the investments shown on your statements are held by them as custodian. If under any circumstance, any trade activity for your account is not reported on a trade confirmation and your month statement, immediately report such omission to LSI Head Office Compliance since such an event is a violation of our operating Policies and Procedures.

We provide a broad range of services in investment management and retail client services and products. We recognize that by definition some of these activities are more susceptible to conflicts of interest than many other commercial activities since we may periodically represent both sides of a transaction, namely, buyer and seller. As an IB we will have fewer cases of such conflicts of interest than an integrated firm. In fact, our business model choice to be an IB was largely driven by our deliberate choice to reduce potential conflicts of interest with our retail investing clients.

Nonetheless, conflicts of interest may still arise despite our desire to limit them.

The general types of conflicts of interest which can arise are:

- Conflicts of interest between you and us,
- Conflicts of interest between you and other clients, and
- Conflicts of interest between us and our related and associated companies.

Description of Role of an Investment Dealer

As an investment dealer, we are a financial intermediary. It is common practice in the brokerage industry that sometimes we may be the party on the other side of the transaction (referred to as a "principal" trade) where we own the security we sell to you, or buy the security from you for our own account. However, as an IB our business model is to act primarily as an agent.

We simply facilitate transactions between you as our client and a third party on the other side of the transaction. Through such an agency trade we have no ownership interest in the security traded. The financial intermediary role for our retail clients is LSI's primary line of business.

Management of Conflicts of Interest

In general, we deal with and manage relevant conflicts using broad principles described as follows:

- **Avoidance:** This includes avoiding conflicts that are prohibited by law as well as conflicts that cannot effectively be addressed, or are difficult to address in practice without the expenditure of substantial human and capital resources. Examples of avoidance conflicts are: "tied selling" and the provision of proprietary research.
- **Control:** We manage acceptable conflicts through a number of means depending on the particular conflict. Management tools may include: (i) internal audit processes to ensure that specific disclosure conflicts as described in this document, or supplemental disclosure forms, are actually provided to clients either at the time of account opening, or prior to the entry of a transaction order, as applicable; (ii) employing a compensation structure within LSI that does not incentivize Advisors to favour one product over another through differential payout of the gross fees and commissions received by LSI; (iii) where available and within the context of LSI supervision Policies and Procedures, use of electronic and manual surveillance to monitor the application of conflict control measures; and (iv) physically separating different business functions and restricting the internal exchange of information.
- **Disclosure:** The primary method of conflict management is to provide you with disclosure and information about conflicts. This enables you to assess independently their significance when evaluating our recommendations and determine your course of action.

Specific discussions on an issue by issue basis about management of conflicts follow. The information is intended to assist you in assessing material potential and actual conflicts of interest, including how we address them. ***If you ever have any questions or concerns, whether they involve conflicts of interest or any other matter, do not hesitate to say so and ask your advisor for an explanation and more information. If you are not satisfied with the response you receive contact LSI Compliance at our Head Office.***

More Information

You are encouraged to proactively involve yourself to better understand issues relating to conflicts of interest. Please refer to the websites and publications of the provincial securities commissions through the Canadian Securities Administrators (CSA) and Investment Industry Regulatory Organization of Canada (IIROC) for more information on how Canadian securities regulations address conflicts of interest in order to safeguard the investing public.

We document our core values and standards, including general standards for how we deal with conflicts of interest in our internal Policies and Procedures. You should refer to the LSI Statement of Policies that appears on the New Client Application Form (NCAF).

Possible Conflicts and How They Are Managed

Conflict of Interest	Primary Methods We Use To Manage The Conflict
We earn compensation by selling products and services to you for which you pay us.	<ul style="list-style-type: none"> - We endeavor to be fully transparent in disclosing fees and commissions, and to fully inform you in advance, when possible, so that you know what you will be paying. - Choice, on a disclosed basis, is your best method to control how you pay us. We offer a wide variety of pricing options to choose from including traditional transaction commission; fee based and embedded fee/commission as disclosed in the "Fee Transparency Statement". - Please see our "Fee Transparency Statement" and "Fee Schedule" which are available at www.lakeshoresecurities.ca.
We would like to use more of our internal services and buy more of our internal products.	<ul style="list-style-type: none"> - We do not engage in "tied selling" which requires the purchase of one product or service in order to qualify for the purchase of another product or service. Such tied selling is prohibited by regulation in any event. - We have Policies and Procedures prohibiting recommendations solely for the purpose of generating revenue for us without any actual or potential benefit to you.
We would like you to use more of the services offered by an external organization or group and more of the products offered by an external organization or group.	<ul style="list-style-type: none"> - Referral arrangements with other organizations or groups are disclosed to you and require your prior written consent to implement, and further are operated in accordance with regulatory standards. - We have Policies and Procedures prohibiting recommendations solely for the purpose of generating revenue for us without any actual or potential benefit to you.
Our compensation may involve commissions based on sales volume.	<ul style="list-style-type: none"> - We offer fee-based and managed accounts as an alternative to traditional commission accounts - As well, we offer other products such as no load mutual funds, which have pricing structures designed to reduce commission paid by the client. - We offer competing commission options that may not necessarily be tied to sales volume and may be more advantageous to certain clients under certain circumstances.
Different products and services have different levels of compensation.	<ul style="list-style-type: none"> - Our compensation is disclosed to you and we offer pricing alternatives intended to reduce the conflicts associated with commission-based pricing. - We are required by industry regulations and firm policy only to make "suitable" investment recommendations consistent with the NCAF.
We may receive compensation from securities issuers and other third parties based on their products we sell to you, such as "trailer fees" on mutual funds and new issues.	<ul style="list-style-type: none"> - We disclose to you the situations and type of third party compensation we may receive. Please refer to the Fee Transparency Statement. - Securities regulations require issuers to provide specific disclosure in the offering document (e.g., prospectus) of such arrangements and the compensation we will receive.

Conflict of Interest	Primary Methods We Use To Manage The Conflict
<p>We are compensated in other ways as a result of the business you may do with us, including interest spreads on money that is loaned to you on a margin account and the un-invested cash deposits with us, or administration fees such as registered plan charges.</p>	<ul style="list-style-type: none"> - The amount of other compensation we may receive will vary depending on the disclosed charges you pay for such business, products or services provided to you. - Some services such as Foreign Exchange are provided directly by our CB where we do not share in compensation from such service - Please refer to our other fees and charges disclosure schedules provided to you in that regard.
<p>We may sell you securities which we own (called principal trades) and profit by doing so.</p>	<ul style="list-style-type: none"> - We will tell you whether we acted as principal or agent for each transaction on the trade confirmation for that transaction. - In the case of fixed-income securities (which our CB will usually sell as principal) our CB is required to provide you with a stated yield to maturity so you can assess the competitiveness of our pricing.
<p>We do not sell securities of companies that are related or connected to us.</p>	<ul style="list-style-type: none"> - Should we begin to sell such securities, we are required by regulation to disclose this when we make a recommendation to you. - Should such a transaction occur, we will inform you whether a transaction involved a related or connected security on the trade confirmation - Our advisors receive the same commission compensation payout as a percentage of gross revenue regardless of the product originator.
<p>We may need to select which clients will be offered certain securities if availability is limited.</p>	<ul style="list-style-type: none"> - We have a fair allocation policy for managed accounts - For non-discretionary accounts, individual advisors make the determination based on individual client relationships as well as risk and suitability considerations.
<p>We are paid by issuers of securities when we participate in syndicates and sell newly issued securities to you.</p>	<ul style="list-style-type: none"> - LSI does not participate in “bought deal” syndicates where we are obligated to buy a share of a syndicated new issue and then resell the securities that we own to our clients. - Offering documents provide full disclosure of all relationships we may have with the issuer. - When the offering is a non-brokered Private Placement for sale to accredited investors, LSI performs no due diligence and has no relationship with the issuer other than a finder’s fee and/or commission paid by the issuer.

Conflict of Interest	Primary Methods We Use To Manage The Conflict
<p>If you hold an applicable security, we may be paid by issuers, offerors or others to solicit your proxy or vote in their favour with respect to takeover bids, corporate reorganizations, solicitation of proxies and other corporate actions.</p>	<ul style="list-style-type: none"> - Securities regulations require specific disclosure of such arrangements and the compensation we will receive is disclosed in documents such as information circulars, takeover bid circulars and issuer bid circulars.
<p>LSI does not produce its own research on securities. LSI distributes investment research that is produced by third parties.</p>	<ul style="list-style-type: none"> - Industry regulations provide for formal and required standards of practice to produce and distribute research. Should LSI begin to produce its own securities research, we will comply with all regulations. IIROC regulations govern the distribution of third party research and LSI has written Policies and Procedures to address such requirements.
<p>We engage in trading of securities for our own account (called proprietary trading).</p>	<ul style="list-style-type: none"> - We maintain information barriers between our corporate trading activities and retail advisory business. Firm and employee trades are identified as such and client trades are given priority to firm and employee trades in accordance with industry "client priority" regulations.
<p>LSI does not receive compensation by trading destinations</p>	<ul style="list-style-type: none"> - Trade destination is a function performed by our CB on our behalf. - Industry regulations dictate our best price and best execution obligations to you. We will disclose to you our ownership interests in marketplaces should such ownership arise. We currently have Policies and Procedures for trade order routing exclusively through our CB for all client accounts.
<p>Note: Potential relevant conflicts may arise from (i) gifts and entertainment from third parties with which LSI has active or potential business relationships; (ii) directorships with other firms or other organizations; (iii) connections to outside political or charitable activities; (iv) other outside of LSI activities; and (v) interests in the business of a supplier, contractor, competitor, etc. These types of potential conflicts are monitored and supervised by LSI on an internal basis and, if appropriate, will be disclosed to clients.</p>	

Best Execution Overview

National Bank Financial Inc. (NBF) is committed to using all reasonable efforts to ensure that clients achieve Best Execution of their orders in respect to all securities, including listed securities, foreign-exchange traded securities and transactions in OTC securities. At NBF, our main endeavor is to constantly strive to achieve Best Execution for all clients, while providing consistent liquidity to all Canadian marketplaces.

NBF Best Execution Policy (the "Policy") applies to all divisions under NBF, including: National Bank Financial Markets (NBFM), National Bank Financial Wealth Management, National Bank Direct Brokerage Inc. (NBDB), and National Bank Independent Networks Inc. (NBIN).

This Policy meets IIROC requirements under Rule 3300 – Best Execution of Client Orders:

- Outlines the process designed to achieve Best Execution for all clients
- Explains how NBF follows the instructions of the client
- Explains the process for taking into account order and trade information from all appropriate marketplaces and FORM
- Describes how NBF evaluates whether Best Execution was obtained from an overall perspective.

Best Execution represents the obligation on marketplace participants to diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under prevailing market conditions at the time of execution. Best Execution includes, but is not limited to the best price available at the time of execution. It also includes optimizing liquidity, minimizing order signaling effects, speed and certainty of execution.

Best Execution Criteria Considerations:

- Price at which the trade would occur
- Speed of execution
- Certainty of execution / % Fill Criteria
- Overall cost of execution
- Market disclosure/signaling
- Prices and volumes of the last sale and previous trades
- Prevailing market conditions at the time of execution
- Direction of the market for the security
- Posted size on the bid and offer
- Size of the spread
- Liquidity of the security
- Execution quality over the order duration, determines the price at which the order was executed relative to the time of entry and average execution price over the time in which the order was actively traded in the market
- Client instructions when received, are always considered and will execute the order in accordance with those instructions, so far as reasonably possible
- FORM including the consideration of FX rates

NBF meets its Best Execution obligations to client orders through:

- **Use of SOR technology:** NBF endeavors to employ the most technological advanced SOR technology available relevant to the trading application and execution venue. NBF is responsible for adjusting our own SOR strategies, utilizes Third-Party SOR's, and typically uses a spray strategy.
- **Provision of client liquidity:** In order to minimize price, certainty of execution, and adverse market signaling impacts of large client order types, NBF may at its discretion enhance visible market liquidity through the provision of principal liquidity facilitation.
- **Marketplace access/information:** NBF is a member of all Canadian marketplaces. Information from all appropriate marketplaces (including unprotected marketplaces, protected marketplaces, and FORM) are taken into account in accordance to the Best Execution criteria considerations.
- **Unprotected Marketplaces:** Unprotected Marketplaces are taken into account if that marketplace has demonstrated a reasonable likelihood of liquidity for a specific security relative to the size of the client order.
- **Speed Bumps:** Marketplaces with Speed Bumps are taken into account if that marketplace has demonstrated a reasonable likelihood of liquidity for a specific security relative to the size of the client order.
- **Access dark liquidity:** NBF accesses dark liquidity facilities when market factors indicate a reasonable likelihood of material liquidity for a security in these trading venues.

- **Access FORM:** NBF accesses FORM liquidity in a security when market factors indicate this can be accomplished on terms advantageous to the client in the context of both price and other execution factors with considerations given to Canadian marketplace conditions.
- **Monitoring order execution quality:** NBF performs periodic, systemic reviews of order routing criteria to ensure optimum routing for client orders and by order execution performance against relevant quantitative metrics.
- **Personnel:** NBF is committed to employing professional and experienced trading personnel capable of evaluating market characteristics and suitable execution strategies in the context of market conditions. Trading personnel are registered with IIROC, where required, and have a responsibility to comply with their continuing education requirements.

Hours of Operation for Trading in Listed Canadian Securities

Hours of Operation

Exchanges in Canada offer trading between the hours of 9:30 a.m. and 4:00 p.m., Eastern Standard Time (EST0), Monday through Friday, not including statutory Canadian holidays. Most Alternative Trading Systems (ATS) in Canada offer trading between the hours of 8:00 a.m. and 5:00 PM EST. Client orders placed during normal business hours will be transmitted to the NBF trading staff or trading systems and executed based on the instructions of the client and in accordance with the hours of operation on the market where the order is placed.

Pre-Open/Opening Auction

For marketplaces that support an opening auction, trade allocation and imbalance/price volatility management methodology may differ. An order received prior to 9:30 a.m. EST will be booked to the pre-opening of the principal listed marketplace for that particular security. Orders may be entered on a marketplace that has offers trading prior to 9:30 a.m. EST.

Post-open/ Continuous Auction

Where markets support an opening auction, unfilled orders from the auction will rollover to the post-open market session of the market that they were entered on. New Market and Limit Orders received by NBF during the Post-open session will be routed using a smart order router that will direct the order to the best available market at the time of receipt. Changes to an outstanding order, or a portion of an outstanding order, will be handled in the same capacity as if a new order was received.

Orders received after 4 p.m.

An order received after 4:00 p.m. EST is typically held for transmission until the next business day and will be booked to the pre-opening on the principal listed marketplace. Orders may be entered on a marketplace that offers after-hour trading if specifically directed per client instructions.

Order Handling

Order Execution In a multiple marketplace environment, certain types of orders may have specific handling implications. Unless otherwise specified, orders will be handled in accordance with the description provided in this document. Duration refers to the lifespan of the order within a trading system.

Day Orders

A Day Order instructs the receiving marketplace to automatically expire the order if it is not executed in the same trading day.

Good Till Date Orders

Good Till Date Orders (GTD) have an order duration that specify that the order remain open until it is either filled or until it expires at a specified date.

Order Types

Market Order

A market order is an order to buy or sell a security at whatever prices are available in the marketplace at the time of order entry. Market Orders are therefore used when certainty of execution is a priority over price of execution. Caution should be taken given the different treatment that market orders receive in a multiple market environment. NBF will route market orders through its automated system that examines each available marketplace and enters the order in the market that secures the best price.

Limit Order

A Limit Order is an order for a security at a specific minimum sale price or a maximum purchase price not to be exceeded. A limit order provides control over the execution price but reduces the certainty of execution.

If a Limit Order is not immediately executable, NBF will route this order to the marketplace, which in its judgment, provides the Best Execution possibility. These orders will remain until the order is filled, cancelled or expired.

Special Terms Orders

Special Terms Orders are orders with specific terms that are not executable in the regular marketplace. These orders are only booked to the Special Terms Market of the principal listed marketplace, unless they are immediately executable on an alternative marketplace at the time of entry. Any unfilled portions of the Special Terms Orders will expire at the close of the principal listed marketplace. Note that the use of special terms orders can delay or decrease the chance of execution, as the receiving market must ensure the “special terms” of the order are satisfied prior to executing the order.

Stop Loss Orders

Stop Loss Orders are orders that are triggered when a board lot trades at or through the stop price (trigger price) on the principal marketplace of that security.

Market on Close Orders

Market on Close (MOC) Orders are intended to trade at the calculated closing price of the principal listed marketplace. To participate in the MOC, orders must be received by 3:40 p.m. and can be both Market and Limit MOC Orders. Offsetting MOC Limit orders can be entered to satisfy the imbalance published from 3:40 p.m. until 4:00 p.m. The principal listed marketplace will then calculate the closing price and publish it at 4:10 p.m. There is no guarantee that the MOC Order will be completed. The TSX MOC is an anonymous price facility, so the price and volume information will not be known until after executions have completed.

NBF Treatment of Marketplace Trading Fees, Rebates, and Payment for Order Flow

NBF does not charge marketplace trading fees or pass on marketplace rebates onto clients. However, “Cost-Plus” arrangements may be available to certain eligible clients, under which the client is ultimately responsible for their own marketplace trading fees and rebates.

Best Execution Governance

Best Execution Committee

NBF trading products Best Execution Committee meets at least quarterly with ad hoc meetings as required (new marketplace, change in liquidity patterns, change in fees, technology, and market place events, etc.). The principal purpose of the committee is to ensure the ongoing integrity of NBF’s Best Execution regime.

Mandate

- Ensure NBF Best Execution Policies remain current in the context of market and regulatory developments.
- Ensure order routing logic is consistent between trading applications, where applicable.
- Ensure that order routing criteria is consistent with the goal of optimizing client order execution
- Review order routing assignments on a periodic basis to ensure the assignments are consistent with optimized client order execution.
- Review Best Execution quality criteria and metrics on an ongoing basis and re-evaluate quantitative and qualitative valuation criteria as required.
- Review trading technology to ensure most appropriate applications are implemented.
- Review NBF Best Execution Policy and public disclosure statement at least annually and/or after each material change to the trading environment or market structure that warrants a review
- Ensure pricing for OTC securities are considered “fair and reasonable”

Order Routing Criteria

NBF evaluates order routing based on the criteria noted below. NBF does not take into consideration our ownership or partnership of a marketplace into our routing strategy. It is our philosophy that marketplace liquidity, primarily defined by traded volume, represents the single, best indicator of the potential for superior client order execution. However, NBF believes technology considerations and innovation as well as other factors are an important consideration in determining the most appropriate default order routing criteria. Marketplace liquidity combined with subjective evaluation of factors noted below are used to determine the appropriate order routing destination for individual securities:

- **Volume**
- **Order to trade ratios**
- **Technology and support**
- **Broker attribution**
- **Market making and primary markets**
- **Costs and rebate models**

- **Other criteria influencing Retail & Institutional Routing Strategy**

- Latency of execution
- Latency of data
- Client preference
- Potential crossing/internalization opportunities

Technical and Self-Help

This Policy dictates the diligent pursuit of the execution of client orders on the most advantageous terms reasonably available. Part of this Policy necessitates the execution of client orders at the best price available at the time of execution and based on the client instructions.

Consistent with our Best Execution obligations, NBF endeavors under all circumstances to access visible liquidity on all marketplaces at the best price available at the time of execution. NBF management may invoke “Technical-Help” in the event there are reasonable grounds to believe client executions may be adversely affected by system malfunctions or excessive latency originating from a marketplace system malfunction, vendor infrastructure, or proprietary systems. When dealing with a marketplace that is experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data of a temporary or longer-term nature, NBF may rely on “Self-help” in these particular circumstances.

If either “Technical-Help” or “Self-Help” is invoked, the affected marketplace may be removed from existing SOR systems until such time as the cause of the malfunction has been determined and there are reasonable grounds to believe that the identified issues have been resolved. In addition, NBF Compliance will advise the marketplace, IIROC Market Surveillance and any relevant application vendors. NBF will endeavor to limit the impact of “Technical-Help” or “Self-Help” to affected systems and SOR’s with the primary consideration being the preservation of Best Execution on behalf of our clients.

Execution on Foreign Marketplaces

Orders for Canadian and non-Canadian listed equities to be traded on marketplaces outside of Canada may be executed by third party broker dealers (“Third Parties”). Third Parties may execute such orders as either agent or principal. The fees or commissions charged to us by Third Parties for such orders may be reported as a net price.

Third Parties who may execute order flow on behalf of NBF, the following steps are taken to ensure that each Third Party has policies and procedure in place that are reasonably designed to achieve Best Execution for our clients (Third Party Best Execution Policy):

- NBF will perform an initial review of each Third Party Best Execution Policy and any subsequent changes to it, and a determination is made whether it will effectively achieve Best Execution for our clients.
- NBF obtains an annual attestation from each Third Party to confirm it has complied and tested its Third Party Best Execution Policy.
- NBF will follow up with each Third Party should NBF identify any execution results that are inconsistent with the Third Party Best Execution Policy.

NBF accesses foreign market liquidity in a security when market factors indicate this can be accomplished on terms advantageous to the client in the context of both price and other Best Execution factors with considerations given to Canadian marketplace conditions. Conversions to Canadian dollar currency are processed at current FX rates to ensure that the required conditions are met beneficial to the client.

NBF does not have any agreements regarding the sending of orders outside of Canada.

Over the Counter (OTC) Fair Pricing

An aggregate fair and reasonable price will be used for executing over the counter securities (OTC) including fixed income, contracts for difference, and foreign exchange contracts excluding primary market transactions and OTC derivatives with non-standardized contract terms.

“Reasonable efforts” must be made to provide or procure a fair market price for each order under the circumstances of the prevailing market conditions. Markup/down, commissions, and services charges cannot be excessive. A markup/down refers to remuneration on a principal transaction. It is an amount added and subtracted from the price in the case of a purchases and sale respectively. Commissions and services charges are forms of compensation for agency transitions

Conflicts of Interest Relating to Best Execution

NBF considers a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of NBF, are inconsistent or divergent. NBF takes reasonable steps to identify all existing material conflicts of interest, and those we would reasonably expect to arise with regards to Best Execution.

TMX Group Limited

National Bank Financial & Co. Inc. one of our affiliates owns or controls an equity interest in TMX Group Limited in excess of 5% of the issued and outstanding equity securities thereof and has a nominee director serving on the board. In addition, NBF is an indirect wholly-owned subsidiary of National Bank of Canada. From time to time, National Bank of Canada may enter into lending or financial arrangements with companies that are the subject of NBF research reports or that are recommended. At the present date, National Bank of Canada, is a lender to TMX Group Limited under its credit facilities. As such, NBF may be considered to have an economic interest in TMX Group Limited. No person or company is required to obtain products or services from TMX Group Limited or its affiliates as a condition of doing business with TMX Group Limited or its affiliates.

*****End*****