

FRIEDBERG  
MERCANTILE  
GROUP LTD.

*Friedberg  
Mercantile  
Group Ltd*

**Relationship Disclosure Document  
and Statement of Policies**





**This document explains our relationship to you, our client: what you can expect from us and what you need to do to ensure that we can provide you the best service possible. PLEASE READ IT CAREFULLY.**

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## Relationship Disclosure Document

### I. WHAT YOU SHOULD DO

Whatever kind of account you have with Friedberg Mercantile Group Limited ("FMGL"), we can only provide you with our best possible service if you provide us with the information and feedback we need. Please remember to do the following:

1. Review all of the documentation of your account to ensure it is accurate.
2. Review all disclosures to ensure you understand how your account will be operated, the risks involved and other matters pertinent to the operation of your account.
3. Inform FMGL immediately of any material change in your circumstances, financial position, investment objectives or risk tolerance. A material change is one that might affect the kind of advice FMGL will give you, such as a change in employment, income or dependants. If you are unsure whether a change is material, it would be best to inform us.
4. Review the trade confirmations and account statements sent to you to ensure they are correct. Report any errors to your FMGL Advisor immediately.
5. Ask questions about any recommendations made to you or anything that occurs in your account that you do not understand. If you do not receive a satisfactory answer from your FMGL Advisor, ask to speak to his or her Supervisor.
6. Direct any complaints immediately to FMGL's Complaints Officer, whose name and contact information can be found on FMGL's web site at [http://www.friedberg.ca/cgi-bin/request\\_form.pl](http://www.friedberg.ca/cgi-bin/request_form.pl). If possible, a complaint should be in writing.

### II. FMGL'S SERVICES TO YOU

This document is divided into two sections relating to the different kinds of accounts we offer. **You need read only the section relevant to the type of services you have requested:**

**Section 1: Advisory Accounts**, through which you can buy and sell securities (including equities, bonds, options and investment funds), futures contracts and futures contract options. Whether or not the trades result from a recommendation of your FMGL Advisor, FMGL will determine whether a transaction is suitable for you based on your investment means and needs.

**Section 2: Foreign exchange contracts and contracts for difference through Friedberg Direct**, through which you can buy and sell foreign exchange contracts or contracts for difference without advice from an FMGL Advisor and without FMGL determining the suitability of such trades to your investment means and needs.

Each section will explain:

1. **Documentation** – The documents and agreements you will be required to sign or will receive, and which you should keep for your records.
2. **Suitability** – Whether FMGL will make recommendations to you or make determinations of the suitability of the trading activity in your account. Where we do make suitability judgments, this document will explain how and when that is done.
3. **Transaction Reporting** – When and how you will receive reports on the transactions and positions in your account, both immediately after a transaction and on a cumulative basis.
4. **Performance Reporting** – What kind of reporting you will receive on how your account performs, both now and when new rules on performance reporting are introduced in the future.
5. **Conflicts of Interest** – Any conflicts of interest of FMGL or its representatives that you should be aware of in making investment decisions.
6. **Costs** – The costs you will incur in operating your account.

## Section 1. Advisory Accounts

When you have an advisory account at FMGL, your FMGL Advisor may recommend specific securities or futures transactions that the Advisor determines are suitable to your investment means, investment objectives, risk tolerance and time horizon.

If you make your own investment decisions without advice from your FMGL Advisor, your FMGL Advisor will inform you if in his or her opinion an order that you enter is not suitable to your investment means, investments objectives, risk tolerance or time horizon. In such a case, your FMGL Advisor may refuse to accept the order.

### 1. Documents

When you open an advisory account at FMGL, you and your FMGL Advisor will complete a Client Application Form. It includes information about you, your financial position, your investment objectives in opening the account and your tolerance for risk. The information you provide will be used by your FMGL Advisor to formulate suitable recommendations and determine whether unsolicited transactions are suitable. It will also be used by FMGL's management to ensure that your account is handled appropriately. You should therefore review the form carefully before signing it as it is critical that the information is accurate.

In order to open an account, you are required to sign one of two forms of the Customer Agreement that sets out the terms for opening your account: one, if you plan to trade in commodities as well as securities and/or options; the other if you do not plan to trade in commodities. The Customer Agreements also serve as margin agreements. However, if you wish to use margin in a securities account you must also sign a request for margin on the Client Application Form.

Regular securities accounts may be opened as cash accounts, in which all transactions must be paid in full, or as margin accounts, in which you may borrow from FMGL to help pay for securities transactions. All registered accounts such as Registered Retirement Savings Plans and Tax Free Savings Accounts must be cash accounts. Any securities account selling short either securities or options must be a margin account. All futures accounts are opened as margin accounts.

You will be given a copy of your Client Application Form and Customer Agreement for your records. That booklet will contain copies of all of the agreements you have signed along with various disclosure statements.

Other disclosure documents are available upon request, including the Canadian Investor Protection Fund brochure, a list of officers and directors of FMGL and summary financial information about FMGL.

You may be required to sign additional documents, such as those related to registered accounts or guarantees of other accounts. In each case, you will receive and should retain a copy of the documents.

If you purchase a mutual fund, you will receive either the current prospectus of the fund or a Fund Facts document that summarizes the important information about the fund.

### 2. Suitability

#### Generally

Your FMGL Advisor will make a determination before making a recommendation to you or accepting an order from you that the recommendation or order is suitable. A recommendation or order is suitable if its execution results in your total portfolio being consistent with your investment objectives, risk tolerance and time horizon as disclosed on your Client Application Form.

If you attempt to enter an unsolicited order that the FMGL Advisor believes would result in your total portfolio being unsuitable, the Advisor will caution you about the order. The FMGL Advisor may also require that your Client Application Form be amended so that the recorded investment objectives and risk tolerance are consistent with the portfolio after the execution of the order. The FMGL Advisor also has the right to refuse an unsuitable order if he or she believes that it will put FMGL at risk.

Suitability is based on judgements about the following elements:

1. Financial position: your income, net worth and expenses.
2. Investment objectives: the general nature and goals of your investments. These generally include what is important to you: safety of capital, regular income from dividends or interest or capital gains, along with some characterization of time elements (short-term or long-term) and risk. Your investment objectives can include different objectives in different proportions, which can change over time.
3. Risk tolerance: your ability to sustain risk of loss, both financially and psychologically. Generally, investments that provide the opportunity for higher returns entail higher risks.
4. Time horizon: when you expect to need or want to withdraw funds from you investments for other uses, such as purchasing a home, funding your children's higher education or retirement.
5. Leverage: the use of margin to buy securities increases both the potential gain and loss. In addition, interest on the margin loan reduces gains and increases losses.

Although FMGL uses its best efforts to ensure that all its customer portfolios remain suitable at all times, FMGL is not required by industry regulations and standards to determine or inform you if changes in the marketplace, in the fortunes of companies whose securities you hold or impacting the underlying interests of the futures or futures options you hold make your portfolio inconsistent with your investment objectives and risk tolerance.

FMGL will reassess the suitability of your portfolio if one of the following events occurs:

1. You inform FMGL of a material change in your financial position, investment objectives or risk tolerance.
2. You deposit or withdraw funds or securities, either directly or by transfer from another financial institution.
3. The FMGL Advisor responsible for handling your account changes.

#### *Additional Suitability Considerations for Trading in Futures*

Futures trading is generally considered to be high risk because of high leverage (the margin requirements are small in relation to the value of a contract), the volatility of many futures and the potential for limit moves which prevent liquidation of a position.

There are hedging strategies using spreads or options that can reduce the risk, but futures accounts are nonetheless considered high risk.

A significant factor in determining the suitability of futures trading is the available risk capital of the customer, which you disclose when opening a futures account. If you suffer total losses amounting to the disclosed risk capital, FMGL will generally prohibit further commodity futures trading in your account. However, because of the nature of the futures markets, FMGL may not be able to prevent losses on open positions when you have reached your risk capital limit, resulting in total losses that exceed your limit.

### **3. Transaction Reporting**

Whenever there is a transaction in securities, futures or futures options in your account, you will receive a confirmation showing the details of the transaction. The confirmation is provided the day of the transaction. You have the choice whether to receive confirmations by regular post or by e-mail.

When you close an open futures or futures option position you will receive a Statement of Purchase and Sale showing the transactions, the commission and the profit or loss on the purchase and sale after commission. The statement will also show any open futures or futures options positions in your account and the unrealized profit or loss before commissions on those positions.

You will receive monthly statements for any month in which a transaction occurs other than receipt of dividends or interest on securities holdings or interest on the account balance. You will receive separate statements for securities, futures accounts and accounts opened specially to hold investment funds managed by FMGL and its affiliates.

If there are no transactions other than dividends and interest in a calendar quarter, you will receive a statement at the end of the quarter showing any interest or dividend payments.

For a securities account, the statement will show the opening and closing cash balance, all transactions, including deposits, withdrawals or transfers of funds or securities, and the original cost and period-end market value of securities positions held in the account.

For a futures account, the monthly statement will show the opening and closing cash balance, all transactions, including deposits, withdrawals or transfers of funds, the profit or loss on all offsetting purchases and sales after commission, the open positions in the account at period-end and the unrealized profit or loss on those open positions.

For an account opened to purchase and hold FMGL-affiliated investment funds, the monthly statement will show the opening and closing cash balance, all transactions, including cash deposits and withdrawals, distributions by the fund(s) and the closing net asset values per unit/share of the funds held.

You will also receive annual statements for tax purposes showing all capital gains or losses, interest and dividends received and interest paid.

### **4. Performance Reporting**

FMGL provides year-end account performance reports as required by Canadian Regulators.

## 5. Conflicts of Interest

### Related and connected issuers

FMGL and its affiliates provide investment, management and portfolio brokerage services to the following funds which are offered to the public by way of prospectus:

Friedberg Global-Macro Hedge Fund

Friedberg Asset Allocation Fund

FMGL also provides investment management to the Niagara Discovery Fund.

FMGL and its affiliates may create additional such funds and/or limited partnerships from time to time. We will refer to such issuers as “FMGL controlled issuers.”

Officers or directors of FMGL may from time to time have management positions, directorships or controlling shareholdings in publicly traded issuers. We will refer to such issuers as “related issuers.”

FMGL and its officers and employees will not provide advice or make recommendations with respect to FMGL controlled or related issuers without first providing you with appropriate disclosure.

FMGL requires its officers and employees, before accepting an order from a customer (other than a fully registered dealer or an FMGL controlled issuer acting as principal) to purchase or sell securities of an FMGL controlled or related issuer, to inform the customer, orally or in writing, of FMGL's relationship with the issuer. If you purchase securities of an FMGL controlled or related issuer, the confirmation will state that the securities were issued by a controlled or related issuer of FMGL.

Any report to you concerning an FMGL controlled or related issuer other than a confirmation will state that the securities were issued by a controlled or related issuer.

Further details regarding FMGL controlled and related issuers, including the names of related issuers at the time you open your account, are included in your disclosure document package on the document entitled “List of Related/Connected Issuers.” The current version of that document, including the list of current related issuers, is maintained on our Web site at <http://www.friedberg.ca/content/services/documents/index.html>.

### Acting as Principal

In certain instances where FMGLs acts as your broker, securities purchased or sold for you may be bought from or sold to FMGL, a party associated with FMGL or, in the course of distribution, a connected party.

When FMGL or an affiliated or connected party is the seller or buyer in a trade from or to you, the trade confirmation will disclose that the trade was done “as principal.”

FMGL has review procedures in place to ensure that it does not buy from or sell to you if there is a better price available to you from a trade with an arms-length party.

## 6. Costs

### Commissions

Whenever FMGL conducts a transaction as your agent, you will be charged for FMGL's services in effecting the transaction.

For most equities and futures transactions, the charge is a commission added to the purchase price or deducted from the sale proceeds. The amount of the commission is disclosed on the confirmation of the transaction.

### Mark-ups

For transactions in fixed income securities such as bonds or trades in other unlisted securities, you may be charged a mark-up instead of commission. A mark-up may be:

- the difference in price between what FMGL pays for the security in filling your order and what it charges you, or
- if FMGL sold the security to you from its inventory, the difference between the price at which it was carrying the security on its books and the price it charges you. The price at which FMGL carries inventory securities changes with the market price of those or similar securities.

The confirmations for such trades will show that FMGL acted as principal. The amount of the mark-up is not disclosed on the confirmation. FMGL's mark-ups are approximately the same as a commission charge for the same transaction and are consistent with industry norms.



### *Investment Fund Charges*

Investment fund purchases may have the following costs:

1. Front load: you are charged a commission when you purchase the fund shares/units.
2. Deferred sales charge: you are charged on the sale of the fund shares/units. The percentage amount of the charge declines the longer you hold the shares/units, until there is no charge after a specified holding period.
3. No load: there are no charges on purchase or sale.

There may also be no charge or a reduced charge if you transfer between funds of the same family.

Managers of an investment fund charge costs, including management fees, that reduce the net asset value of the fund shares/units.

FMGL and its advisors are compensated by investment fund managers through receipt of a percentage of service charges or by trailer fees paid on the shares/units held by FMGL customers. Those annual fees are one component of the mutual fund costs noted above.

All of these costs and fees are disclosed in the mutual fund prospectus or Fund Facts document of the specific fund. Front loads and deferred service charges are also disclosed on your FMGL confirmations.

### *Account fees*

FMGL charges administration fees for specific types of accounts or transactions such as registered account administration and account transfers. Please review the fee disclosure list included in your account opening documents.

You will receive notification 90 days prior to any changes in account administration fees.

## **7. Complaints**

If you have any complaints about your account, please direct them to our Complaints Officer, whose name and contact information can be found on FMGL's web site at [http://www.friedberg.ca/cgi-bin/request\\_form.pl](http://www.friedberg.ca/cgi-bin/request_form.pl) or by calling FMGL's head office at 1-800-461-2700.

If your complaint concerns an administrative matter such as failure to receive a confirmation, statement or other document you were expecting, or an error in a transaction, please contact the Complaints Officer by telephone.

If your complaint is about your investments or the handling of your account, please make your complaint in writing. It will be helpful to have as much detail as possible about the complaint. If you feel unable to explain the complaint in writing or determine what information is relevant, please call the Complaints Officer, who will assist you in doing so.

The Complaints Officer will attempt to resolve your complaint immediately. If he or she cannot do so within five business days of receipt, he or she will write to you advising you of how the complaint is being dealt with, who to contact if you require further information and when you may expect a response. The investigation of your complaint will normally be handled internally, although FMGL may seek outside assistance, if needed, to properly investigate your complaint or because of a conflict of interest.

Under normal circumstances, you will receive a written response as soon as possible and in all cases no more than 90 days after your complaint is received. If the investigation of your complaint is complex and lengthy so that more than 90 days is required, we will inform you and let you know when to expect our response.

More detailed information on our complaint handling procedures can be found on our web site at <http://www.friedberg.ca>. Click on "Contact Us" on the first page to find a link to our complaints procedures.

FMGL is a Member of the Investment Industry Regulatory Organization of Canada (IIROC), which has processes for receiving and investigating client complaints and providing for arbitration, and a participating member in the Canadian Investor Protection Fund (CIPF). The IIROC brochure explaining its complaint processes and the CIPF brochure explaining its coverage are available at the following sites:

IIROC - <http://www.iiroc.ca>. Click on the Investors menu on the first page and select "Making a Complaint" from the menu for links to a video about making a complaint and the brochure "An Investor's Guide to Making a Complaint".

CIPF - <http://www.cipf.ca>. Click on "CIPF Coverage" on the first page for a menu of answers to common questions regarding CIPF coverage.

## Section 2. Managed Accounts

When you open a managed account at FMGL, your FMGL Portfolio Manager will make the trading decisions for your account and execute trades without prior consultation with you. FMGL offers managed futures and futures options accounts only.

Before executing a trade for your account the Portfolio Manager will ensure that it is suitable based on the information you have provided FMGL and the status of your FMGL managed account at the time.

FMGL is a Member of The Investment Industry Regulatory Organization of Canada (IIROC), which establishes educational and experience requirements for employees of its members dealing with the public. The education and experience requirements to conduct discretionary management of customer accounts are more extensive than those to provide advice and take non-discretionary orders. Only an FMGL Portfolio Manager who has met those requirements is permitted to handle a managed account.

### 1. Documents

Prior to opening your managed account at FMGL, your FMGL Portfolio Manager will interview you to obtain or verify information about you, your financial position, your investment objectives in opening the account, your tolerance for risk and your time horizon. If you are opening a new account at FMGL, the Portfolio Manager will complete a Client Application Form including the information obtained. If you already have an account at FMGL, the Portfolio Manager will confirm what is already on file and any changes will be entered on the Managed Account Agreement, as described below.

The information you provide will be used by your FMGL Portfolio Manager to determine whether futures trading is suitable for you and, if it is, to formulate suitable trading strategies for your account. It will also be used by FMGL's management to ensure that your account is managed appropriately. You should therefore review the form carefully before signing it as it is critical that the information is accurate.

In order to open a managed account, you are required to sign a Managed Account Agreement which:

1. Sets out the terms and conditions of the account including termination of the agreement
2. Confirms the information FMGL has about you in your last completed Client Application Form or states any changes since the last such form
3. Sets out your account objectives and risk tolerance with respect to the managed account, which may differ from other accounts you hold at FMGL
4. Grants FMGL authority to
  - effect transactions in futures for your managed account without your prior approval of each transaction
  - hold managed account funds in cash or other term accounts as deemed advisable
  - use margin facilities you have established with FMGL
5. Grants your permission for FMGL to charge a performance fee based on trading profits in your managed account
6. Sets out the fees you will pay including commissions, management fees and performance fees, as described below
7. Describes FMGL's policy to ensure that trades are allocated fairly when several managed accounts trade in the same futures at the same time.

If you have not already done so, you will also be required to sign a Futures Trading Agreement and, because all futures accounts are margin accounts, a Margin Agreement.

You will be given copies of your Client Application Form, the Managed Account Agreement, and all other agreements you have signed. You will also be given disclosure statements regarding futures and futures options.

Other disclosure documents are available upon request, including the Canadian Investor Protection Fund brochure, a list of officers and directors of FMGL and summary financial information about FMGL.

You may be required to sign additional documents, such as those related to registered accounts or guarantees of other accounts. In each case, you will receive and should retain a copy of the documents.

## 2. Suitability

### Generally

Your FMGL Portfolio Manager will make a determination before making a trade for your account that the trade is suitable. A trade is suitable if its execution results in your total portfolio being consistent with your investment objectives, risk tolerance and time horizon as disclosed on your Client Application Form.

Suitability is based on judgements about the following elements as recorded on your Client Application Form:

1. Financial position: your income, net worth and expenses.
2. Investment objectives: the general nature and goals of your investments. FMGL classifies all futures accounts as speculative.
3. Risk tolerance: your ability to sustain risk of loss, both financially and psychologically. Generally, investments that provide the opportunity for higher returns entail higher risks. Futures are high risk; therefore you should be able to sustain losses in your managed account if they occur without any resulting threat to your lifestyle.
4. Time horizon: when you expect to need or want to withdraw funds from your investments for other uses.
5. Leverage: the use of margin in investing increases both the potential gain and loss.

Futures trading is generally considered to be high risk because of high leverage (the margin requirements are small in relation to the value of a contract), the volatility of many futures and the potential for limit moves which prevent liquidation of a position.

There are hedging strategies using spreads or options that can reduce the risk, but futures accounts are nonetheless considered high risk.

A significant factor in determining the suitability of futures trading is the available risk capital of the customer, which you disclose in opening a futures account. If you suffer total losses amounting to the disclosed risk capital, FMGL will generally prohibit further futures trading in your account. However, because of the nature of the futures markets, FMGL may not be able to prevent losses on open positions when you have reached your risk capital limit, resulting in total losses that exceed your limit.

Your FMGL Portfolio Manager will monitor your managed account to ensure it remains suitable. A supervisor at FMGL will also review your account quarterly to ensure that your investment objectives are being diligently pursued.

FMGL will reassess the suitability of your portfolio and whether you should continue to maintain a managed account if one of the following events occurs:

1. You inform FMGL of a material change in your financial position, investment objectives or risk tolerance.
2. You deposit or withdraw funds or securities, either directly or by transfer from another financial institution.
3. Your managed account suffers losses equal to or greater than your available risk capital.

## 3. Transaction Reporting

Whenever there is a transaction in your account, you will receive a confirmation showing the details of the transaction. The confirmation is provided the day of the transaction. You have the choice whether to receive confirmations by regular post or by e-mail.

When an open futures or futures option position is closed, you will receive a Statement of Purchase and Sale showing the transactions, the commission and the profit or loss on the purchase and sale after commission. The statement will also show any open futures or futures options positions in your account and the unrealized profit or loss before commissions on those positions.

You will receive a month-end statement for any month in which you hold an open futures or futures options position at month-end or a transaction occurs other than interest on the account balance.

If there are no transactions other than interest in a calendar quarter, you will receive a statement at the end of the quarter showing any interest payments and management fees on the balance.

The month-end statement will show the opening and closing cash balance, all transactions, including deposits, withdrawals or transfers of funds, the profit or loss on all offsetting purchases and sales, the open positions in the account at period-end, the unrealized profit or loss on those open positions and management fees.

The confirmations and month-end statements will contain a notification that the account is a managed account.

You will also receive annual statements for tax purposes showing all capital gains or losses and interest paid or received.

#### 4. Performance Reporting

FMGL provides customers with:

- an annual account performance report
- an annual account fee/change report
- any other reports that are required by the Canadian regulators

#### 5. Conflicts of Interest

All futures transactions for your managed account will be executed on the relevant commodities exchange. FMGL has no conflicts of interest with respect to such trading.

#### 6. Costs

You will be charged a commission on each trade for your managed account at FMGL's normal rates. Commissions charged are not used in determining your FMGL Portfolio Manager's compensation for the management of your account.

You will be charged a fee for the management of you FMGL managed account comprised of two elements:

1. a management fee of 2% annualized, calculated and paid monthly by taking .0167% (2% divided by twelve) of the net value of the account at month-end, that is the cash position plus any unrealized capital gains minus any unrealized capital losses on open positions in the account
2. A quarterly performance fee equal to 20% of:
  - the increase in the net value of the account
  - minus any cash deposits
  - plus any cash withdrawals

since the last day of the last quarter in which a performance fee was charged.

The quarter-end value of any quarter in which a performance fee is charged is therefore a "high water mark." You will not be charged a performance fee until the net value (adjusted for deposits and withdrawals) at the end of a quarter exceeds that value.

For example:

- A performance fee is charged in Q1
- There is a loss in Q2
- There is a profit in Q3 less than the loss in Q2
- No performance fee will be charged in Q3 because the net value at the end of Q3 is less than the net value at the end of Q1.

#### 7. Complaints

If you have any complaints about your account, please direct them to our Complaints Officer, whose name and contact information can be found on FMGL's web site at [http://www.friedberg.ca/cgi-bin/request\\_form.pl](http://www.friedberg.ca/cgi-bin/request_form.pl), or by calling FMGL's head office at 1-800-461-2700.

If your complaint concerns an administrative matter such as failure to receive a confirmation, statement or other document you were expecting, please contact the Complaints Officer by telephone.

If your complaint is about the management of your account, please make your complaint in writing. It will be helpful to have as much detail as possible about the complaint. If you feel unable to explain the complaint in writing or determine what information is relevant, please call the Complaints Officer, who will assist you in doing so.

The Complaints Officer will attempt to resolve your complaint immediately. If he or she cannot do so within five business days of receipt, he or she will write to you advising you of how the complaint is being dealt with, who to contact if you require further information and when you may expect a response. The investigation of your complaint will normally be handled internally, although FMGL may seek outside assistance, if needed, to properly investigate your complaint or because of a conflict of interest.

Under normal circumstances, you will receive a written response as soon as possible and in all cases no more than 90 days after your complaint is received. If the investigation of your complaint is complex and lengthy so that more than 90 days is required, we will inform you and let you know when to expect our response.

More detailed information on FMGL's complaint handling procedures can be found on our web site at <http://www.friedberg.ca>. Click on "Contact Us" on the first page to find a link to our complaints procedures.

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IIROC - <http://www.iiroc.ca>. Click on the Investors menu on the first page and select "Making a Complaint" from the menu for links to a video about making a complaint and the brochure "An Investor's Guide to Making a Complaint."

CIPF – <http://www.cipf.ca>. Click on "CIPF Coverage" on the first page for a menu of answers to common questions regarding CIPF coverage.

Friedberg Direct is a division of Friedberg Mercantile Group Limited, a Member of the Investment Industry Regulatory Organization of Canada (IIROC), which has processes for receiving and investigating client complaints and providing for arbitration, and a participating member in the Canadian Investor Protection Fund (CIPF). The IIROC brochure explaining its complaint processes and the CIPF brochure explaining its coverage are available at the following sites:

IIROC: <http://www.iiroc.ca/investors/makingacomplaint/Pages/default.aspx>

CIPF: <https://www.cipf.ca/Public/CIPFCoverage/WhatAretheCoverageLimits.aspx>

## Section 3. Foreign Exchange Contracts and Contracts for Difference Through Friedberg Direct

Friedberg Direct provides an on-line trading system for foreign exchange contracts (“Forex Contracts”) and contracts for difference (“CFDs”).

When you trade Forex Contracts or CFDs through Friedberg Direct, the firm acts as an order execution only broker. Friedberg Direct will not provide you with any advice on what transactions may be advisable or whether any transactions you enter are advisable. You are solely responsible for making investment decisions and for the consequences of those decisions.

Friedberg Direct offers training in Forex Contract and CFD trading and the use of the Friedberg Direct trading platform. It also provides news and market information that may be of use in such trading. However, none of these services constitutes recommendations to Friedberg Direct customers of any specific trades or strategies.

Prospective clients (and clients) of Friedberg Direct are able to access Friedberg Direct’s account opening and other documentation, and to complete any required account opening and trading instructions, online. Prospective clients (and clients) can, however, choose to do so with physical documents if they so wish. References to documents in this Section 2 are intended to apply whether you choose to access and complete documentation electronically, or with physical documents.

References to signing therefore includes electronic signatures where permitted, and references to us “giving” a document to you includes sending the document to you electronically or (where you are completing documentation electronically) allowing you to access the document electronically.

### 1. Documents

In order to open an account to trade Forex Contracts or CFDs, you must complete a Client Application Form. It includes information about you, your financial position, your investment objectives in opening the account and your tolerance for risk. The information you provide will be used solely for credit control purposes, to meet regulatory requirements and to determine whether Forex Contract/CFD trading generally is suitable for you. **It will not be used to determine whether any specific trades are suitable for you - that is your decision.** You should review the form carefully before signing it as it is critical that the information is accurate.

In order to open an account, you are required to sign a Customer Agreement that sets out the terms for opening your account. That agreement contains a number of important disclosures that you should read and understand before opening a Forex Contract/CFD account, including:

1. The Friedberg Direct Risk Disclosure Statement. Forex Contract/CFD trading is high risk. The disclosure statement outlines various sources of that risk.
2. A Notice to Traders setting out the terms of the agreement. It describes other risks and disclaimers that Friedberg Direct is not responsible for, and the consequences of some events that are beyond its control and may affect your account, such as internet failures and price feed errors. It also contains acknowledgements that you understand that Forex Contract/CFD trading is high risk and that you are opening an order-execution only account.
3. A consent to receive confirmations and account statements electronically.

You should read all sections of the Customer Agreement carefully and ask questions if there is anything in it that you do not understand.

You will be given a copy of your Client Application Form and the Customer Agreement for your records. That booklet will contain copies of all of the agreements you have signed along with various disclosure statements.

Other disclosure documents are available upon request, including the Canadian Investor Protection Fund brochure, a list of officers and directors of FMGL and summary financial information about FMGL.

You may be required to sign additional documents, such as those related to corporate, trust or registered accounts or guarantees of other accounts. In each case, you will receive and should retain a copy of the documents.

### 2. Transaction Reporting

All Forex Contract/CFD transactions are entered through a Friedberg Direct Trading Station software.

Whenever there is a transaction in a Forex Contract/CFD in your account, the transaction is shown in your open positions on the Friedberg Direct Trading Station, which also shows your current margin position.

Account statements can be generated by you at any time on the Friedberg Direct Trading Stations to display all trading history including open positions, closed positions, account balance and account equity.

You will also receive an electronic confirmation showing the details of the transaction. The confirmation is provided the day of the transaction.

When you close a Forex Contract or CFD position, you will receive a Statement of Purchase and Sale showing the transactions and the profit or loss on the purchase and sale. You will receive monthly statements for any month in which a transaction occurs, other than receipt of interest on the account balance.

The monthly statement will show the opening and closing cash balance, all transactions, including deposits, withdrawals or transfers of funds, the profit or loss on all offsetting purchases and sales, the open positions in the account at period-end and the unrealized profit or loss on those open positions.

### 3. Performance Reporting

Friedberg Direct does not currently offer any account performance reporting other than total year-to-date profits or losses.

Canada's provincial securities regulators and the Investment Industry Regulatory Organization of Canada are currently developing performance reporting requirements that may apply to Friedberg Direct's trading accounts. Friedberg Direct will advise you of the implementation of our performance reporting system when those rules are implemented (if those rules apply to Friedberg Direct).

### 4. Conflicts of Interest

#### *Acting as Principal*

When you execute a transaction through Friedberg Direct, Friedberg Direct is generally the counterparty to the trade, i.e. you are selling to and buying from Friedberg Direct. Friedberg Direct in turn offsets its risk by conducting offsetting transactions through other Forex Contract/CFD dealers, called its liquidity providers.

There is a spread between the amount at which Friedberg Direct will enter into a Forex Contract/CFD with you and market bid/ask prices, based on the pair of currencies or underlying CFD interest involved in the transaction. Friedberg Direct establishes this spread based on the spreads available from its liquidity providers.

There is no organized central market for Forex Contracts or CFDs and therefore no direct control on the spreads offered by Friedberg Direct; however, Friedberg Direct endeavours to keep its spreads as narrow as possible in order to be competitive with other dealers offering such trading.

### 5. Costs

Friedberg Direct offers a transparent pricing model, made up of low, competitive commissions and super-tight spreads. You trade on the direct quotes we receive from our liquidity providers with no hidden markups, and our transparent commissions.

Two components make up your total transaction costs when trading forex with Friedberg Direct: our low commissions and tight spreads.

#### *Commissions*

Friedberg Direct charges a low, competitive commission to trade forex. Unlike many other forex providers, we do not markup the spreads, so there are no hidden charges or hidden fees when trading with Friedberg Direct. Commissions are based on instrument and trade size as well as service provider.

#### *Spreads*

Our spreads are extremely low due to healthy competition in our vast network of global banks, financial institutions and other market makers that make up our renowned No Dealing Desk. You trade on the exact bid/ask quotes that stream from our liquidity providers.

Typical spreads are shown on Friedberg Direct's web site at:

<http://www.friedbergdirect.ca>

Market conditions may cause spreads to widen beyond their typical levels.

Friedberg Direct is compensated through the bid-ask spread or through charging a commission depending on your account settings, service provider and product traded. Friedberg Direct may also receive compensation for order flow from its liquidity providers.

## 6. Complaints

If you have any complaints about your account, please direct them to our Complaints Officer, whose name and contact information can be found on FMGL's web site at [http://www.friedberg.ca/cgi-bin/request\\_form.pl](http://www.friedberg.ca/cgi-bin/request_form.pl) or by calling FMGL's head office at 1-800-461-2700.

If your complaint concerns an administrative matter such as failure to receive a confirmation, statement or other document you were expecting, or an error in a transaction, please contact the Complaints Officer by telephone.

If your complaint is about your investments or the handling of your account, please make your complaint in writing. It will be helpful to have as much detail as possible about the complaint. If you feel unable to explain the complaint in writing or determine what information is relevant, please call the Complaints Officer, who will assist you in doing so.

The Complaints Officer will attempt to resolve your complaint immediately. If he or she cannot do so within five business days of receipt, he or she will write to you advising you of how the complaint is being dealt with, who to contact if you require further information and when you may expect a response. The investigation of your complaint will normally be handled internally, although FMGL may seek outside assistance, if needed, to properly investigate your complaint or because of a conflict of interest.

Under normal circumstances, you will receive a written response as soon as possible and in all cases no more than 90 days after your complaint is received. If the investigation of your complaint is complex and lengthy so that more than 90 days is required, we will inform you and let you know when to expect our response.

More detailed information on our complaint handling procedures can be found on our web site at <http://www.friedberg.ca>. Click on "Contact Us" on the first page to find a link to our complaints procedures.

Friedberg Direct is a division of Friedberg Mercantile Group Limited, a Member of the Investment Industry Regulatory Organization of Canada (IIROC), which has processes for receiving and investigating client complaints and providing for arbitration, and a participating member in the Canadian Investor Protection Fund (CIPF). The IIROC brochure explaining its complaint processes and the CIPF brochure explaining its coverage are available at the following sites:

IIROC - <http://www.iiroc.ca>. Click on the Investors menu on the first page and select "Making a Complaint" from the menu for links to a video about making a complaint and the brochure "An Investor's Guide to Making a Complaint".

CIPF – <http://www.cipf.ca>. Click on "CIPF Coverage" on the first page for a menu of answers to common questions regarding CIPF coverage.





## Statement of Policies

### RELATED AND CONNECTED ISSUER AND CONFLICT OF INTEREST DISCLOSURE STATEMENT

#### Introduction

We have structured our business so that where possible conflicts of interest are avoided. Where that is not possible, we endeavour to inform our clients of the potential conflicts of interest (including through providing you with this document). In all respects, we operate our businesses on the basis that our clients' best interests are our priority.

The purposes of this Related and Connected Issuer and Conflict of Interest Disclosure Statement (this "**Statement**") are to describe the types of relationships that may exist between an issuer of securities which clients of Friedberg Mercantile Group Ltd. ("**FMGL**") may trade and any of the following entities or individuals:

- FMGL or any entity which controls or is controlled by FMGL (a "**Friedberg Entity**"),
- Any partner, director or officer of a Friedberg Entity (a "**Friedberg P/D/O**"),
- Any employee of a Friedberg Entity (other than a Friedberg P/D/O) (a "**Friedberg Employee**"),
- Any Associated Party of a Friedberg Entity, a Friedberg P/D/O or a Friedberg Employee (an "**Associated Party**" is a relative of such a person living in the same home, or a trust, estate or issuer in which such a person has a substantial beneficial interest),

to advise you as to how you can obtain a current list of the issuers in respect of which such a relationship exists, and to describe potential conflicts of interest and our policies and procedures to assist us in identifying and minimizing any conflicts of interest we may face.

When we refer to the "**Friedberg Professional Group**" in this Statement we include each Friedberg Entity, each Friedberg P/D/O, each Friedberg Employee and their respective Associated Parties.

#### Key Concepts

##### Connected Issuers

A "**Connected Issuer**" of FMGL means an issuer or a seller of securities of an issuer if such issuer or seller, or a Related Issuer of such issuer or seller, is indebted to, or has another relationship with any of the following that may lead a reasonable prospective purchaser of the securities of such issuer to question if FMGL and such issuer or seller are independent of each other:

- a Friedberg Entity,
- a Related Issuer of a Friedberg Entity,
- a Friedberg P/D/O, or
- a partner, director or officer of a Related Issuer of a Friedberg Entity.

### Related Issuers

A “**Related Issuer**” of FMGL means an issuer (i) in which FMGL is an influential securityholder, (ii) which is an influential securityholder of FMGL or (iii) which has a common influential securityholder with FMGL.

### **Where to find Information**

Where FMGL acts for you in transactions involving a Related Issuer or a Connected Issuer, the potential conflict will be disclosed to you in the following places:

- Where FMGL acts as underwriter for an issuance of securities of a Related Issuer or Connected Issuer, the prospectus, offering memorandum or other document prepared in connection with the distribution will contain a description of the nature of our relationship with the issuer.
- Where FMGL buys or sells securities of a Related Issuer or Connected Issuer for your account, the confirmation of the trade and your monthly statement will indicate that the issuer is a Related Issuer and/or Connected Issuer.
- Where FMGL advises you with respect to the purchase or sale of securities of a Related Issuer and/or Connected Issuer we will notify you of our relationship with the issuer when giving you the advice.
- Where FMGL exercises discretion, under your authority, in the purchase or sale of securities for your account, we will obtain your prior specific and informed written consent before exercising that discretion for transactions involving Related Issuers and Connected Issuers.

### **List of Related/Connected Issuers**

You can obtain the current list of the Related Issuers and Connected Issuers of FMGL by request sent to Brookfield Place, 181 Bay Street, Suite 250, Toronto, Ontario M5J 2T3 Attention: Compliance Officer or by email to dscheiner@friedberg.ca. The current list of the Related Issuers and Connected Issuers of FMGL is posted on our website at [www.friedberg.ca](http://www.friedberg.ca).

### Related Issuers

As reflected above, a Related Issuer relationship with FMGL exists only when there is an influential securityholder relationship between the issuer and FMGL. Accordingly, Related Issuers of FMGL are listed on the list of related and connected issuers maintained by FMGL without further explanation.

### Connected Issuers

A Connected Issuer relationship will exist in circumstances where there is some relationship such that the issuer may not be independent of a Friedberg Entity, a Friedberg P/D/O, a Related Issuer of a Friedberg Entity or a director, officer or partner of such a Related Issuer. Such a relationship will exist for one of the following reasons:

- **Service Provider to Investment Fund.** The issuer is an investment fund for which a Friedberg Entity provides services. In such circumstances, the fund will be included on the list of related and connected issuers maintained by FMGL and will be noted with “Administrator” if a Friedberg Entity provides administrative management and “Advisor” if a Friedberg Entity provides portfolio management.
- **Ownership of Equity.** There is Friedberg Professional Group ownership of equity securities constituting more than 5% of the subject class but the issuer is not a related issuer of FMGL. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with “Equity”.
- **Ownership of Debt.** There is Friedberg Professional Group ownership of debt of the issuer (including such instruments as notes, bonds, debentures and preferred shares) with a material aggregate face payment entitlement. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with “Debt”.
- **Partner, Director or Officer.** A Friedberg P/D/O is a partner, officer or director of the issuer or a Related Issuer of such issuer. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with “P/D/O”.
- **Other.** There is a relationship other than those described above such that the issuer is considered a Connected Issuer of FMGL. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and the nature of the relationship will be described.

### Potential Conflicts Interest in Respect of Related/Connected Issuers

As reflected above, there are various types of circumstances as a result of which an issuer could be a Related Issuer or a Connected Issuer of FMGL (whether as a result of ownership of equity, debt or another relationship), but in each case the circumstances result in a potential conflict of interest because your proposed trade in securities of the issuer could benefit a member of the Friedberg Professional Group (other than simply the commission that you may pay for the proposed trade). For example, if you are purchasing shares of an issuer, or loaning money to an issuer, in which a member of the Friedberg Professional Group has an ownership interest or is owed money, your investment or loan could increase the value of the ownership interest of the Friedberg Professional Group member or allow the owed amount to be paid.

Similarly, your investment in shares of the issuer through an exchange could provide liquidity and/or could positively impact on the market price of the shares of the issuer (which would benefit all shareholders of the issuer, including the member of the Friedberg Professional Group).

Our disclosure to you of the nature of the relationship is intended to assist you in making a fully informed decision as to whether to make the proposed trade.

## **Shared Facilities**

In certain cases, for purposes of administrative or cost efficiencies, certain entities under common control with FMGL or in which one or more Friedberg P/D/Os acts as a director or officer use certain of FMGL's office facilities. Should it be proposed that any securities of such entities be purchased or sold by any client of FMGL, the policies described above will apply.

In addition, the offices of Niagara Capital Partners Ltd. ("NCPL") are located in FMGL's office facilities. With the exception of the fact that FMGL provides services to certain investment funds managed by NCPL and a principal shareholder of NCPL is employed by FMGL, there is no commercial or ownership relationship between FMGL and NCPL. NCPL is not an investment dealer (and not a member of the Canadian Investor Protection Fund).

Because NCPL is provided with office space by FMGL and there is the relationship with NCPL's principal shareholder, there is a potential conflict of interest between NCPL's duties (to its investment funds) to strictly enforce FMGL's obligations as a service provider and NCPL's interests to maintain its business premises and for its shareholder to maintain his relationship with FMGL.

## **Other Conflicts of Interest**

### Related Canadian Registrants

Toronto Trust Management Ltd. ("TTML") is registered as an Investment Fund Manager. It provides administrative management services to certain investment funds for which FMGL or its affiliate provides portfolio management and brokerage services. TTML is a subsidiary of FMGL.

Friedberg Advisors LP is a registered advisor which is the general partner of certain investment funds (and its duties include providing portfolio management to such funds). Its general partner and limited partner are each subsidiaries of FMGL.

Although TTML, Friedberg Advisors LP and FMGL are all obliged to provide their services on behalf of the investment funds in good faith and in the best interests of the investment funds and their securityholders, there is a potential conflict of interest that they may not negotiate service provider terms or enforce the right of the investment funds against their affiliated companies on the same basis as would be the case if TTML, Friedberg Advisors LP and FMGL were arm's length parties.

In addition, each of these investment funds is a Connected Issuer of FMGL because FMGL and/or its affiliates will benefit (through earning additional servicing fees from the investment fund) from investments made by clients of FMGL in these funds.

### Side by Side Management of Different Types of Accounts

Investment advice may be provided to a variety of different accounts including, but not limited to, accounts containing strategies that pay performance based fees. There exists the potential conflict that where FMGL or an affiliate acts as a portfolio manager, the portfolio manager could hold the same security short in one portfolio and long in another portfolio. Investment decisions are made and securities traded based on the investment objectives, strategy, guidelines and other relevant factors of each account. Certain of FMGL's or an affiliate's portfolio managers manage these performance-based fee accounts alongside accounts that do not pay performance-based fees. Due to the different fee structures of various accounts, there may be a perceived incentive to favour a performance based fee account over a non-performance based fee account.

Policies and procedures are designed to ensure that, over time, no client is favoured to the detriment of another. In particular, certain of FMGL's allocation policies are based on allocating to clients based on even vs. odd account numbers and taking into account the date of month, such that certain clients may be favoured for a specific trade but over time it is intended that the benefit of allocations will even out.

#### Acting as Principal

In certain instances where we act as your broker or exercise discretion on your behalf, securities purchased for you may be bought from or sold to us, a party associated with us or, in the course of distribution, a Connected Party.

#### **Fairness Policy**

FMGL maintains standards directed to ensuring fairness for clients. The fairness policies of FMGL are set out below.

Each director, officer and employee of FMGL will:

- Ensure that orders for clients always have priority over orders for the Friedberg Professional Group,
- Ensure that he/she deals fairly with all accounts when making investment recommendations, or taking investment action and must not favour some accounts over others,
- Use his/her best efforts to mitigate any conflict of interest between himself/herself, FMGL and clients, and inform clients of any material conflict of interest relating to him/her that might impair his/her ability to render unbiased and objective advice with respect to investment opportunities,
- In advising clients, exercise diligence, independence (including in the case of securities of Connected Issuers and Related Issuers, where additional conflict controls are in place), and thoroughness in analyzing investments, making investment recommendations and taking investment action, and
- Strive towards a high standard of ethical business and personal conduct and professionalism.



## List of Related and Connected Issuers

### **Related Issuers<sup>1</sup>**

N/A

### **Connected Issuers<sup>2</sup>**

#### *Investment Funds*

<u>Name</u>	<u>Notation</u>
Friedberg Asset Allocation Fund	Administrator, Advisor
Friedberg Global-Macro Hedge Fund	Administrator, Advisor

#### *Other Issuers*

Street Capital Group Inc.	Equity
Gold Standard Ventures Corp.	Equity
Paramount Gold Nevada Corp.	Equity
Seabridge Gold Inc.	Equity
Vaccinex, Inc.	Equity

<sup>1</sup> A Related Issuer relationship with FMGL exists only when there is an influential securityholder relationship between the issuer and FMGL. Accordingly, Related Issuers of FMGL are listed on this list of related and connected issuers without further explanation.

<sup>2</sup> Please see the Appendix to this list for an explanation of the notations for the Connected Issuers.



## Appendix to List of Related and Connected Issuers

Capitalized terms used below are intended to have the meaning given to them in Friedberg Mercantile Group Ltd.'s Related and Connected Issuer and Conflict of Interest Disclosure Statement.

A Connected Issuer relationship will exist in circumstances where there is some relationship such that the issuer may not be independent of a Friedberg Entity, a Friedberg P/D/O, a Related Issuer of a Friedberg Entity or a director, officer or partner of such a Related Issuer. Such a relationship will exist for one of the following reasons:

- **Service Provider to Investment Fund.** The issuer is an investment fund for which a Friedberg Entity provides services. In such circumstances, the fund is included on this list and noted with "Administrator" if a Friedberg Entity provides administrative management and "Advisor" if a Friedberg Entity provides portfolio management.
- **Ownership of Equity.** There is Friedberg Professional Group ownership of equity securities constituting more than 5% of the subject class but the issuer is not a related issuer of FMGL. In such circumstances, the issuer is included on this list and noted with "Equity".
- **Ownership of Debt.** There is Friedberg Professional Group ownership of debt of the issuer (including such instruments as notes, bonds, debentures and preferred shares) with a material aggregate face payment entitlement. In such circumstances, the issuer is included on this list and noted with "Debt".
- **Partner, Director or Officer.** A Friedberg P/D/O is a partner, officer or director of the issuer or a Related Issuer of such issuer. In such circumstances, the issuer is included on this list and noted with "P/D/O".
- **Other.** There is a relationship other than those described above such that the issuer is considered a Connected Issuer of FMGL. In such circumstances, the issuer is included on this list and the nature of the relationship is described.



FRIEDBERG  
MERCANTILE  
GROUP LTD.

**FRIEDBERG MERCANTILE GROUP LTD.**

Brookfield Place, 181 Bay Street, Suite 250  
Toronto, Ontario M5J 2T3  
Tel: (416) 364-2700 Fax: (416) 364-0572  
E-mail: [info@friedberg.ca](mailto:info@friedberg.ca)

[www.friedberg.ca](http://www.friedberg.ca)