Tradex Management Inc. (TMI) Client Relationship Disclosure Document

Introduction

This document provides clients with an overview of the nature of the relationship they are entering into when they deal with TMI and the nature of the products that we distribute. It also provides information on a number of specific aspects of how TMI conducts its business and how this affects our clients.

Nature of the Products and Services We Offer

Tradex offers to clients the following investment and insurance products:

Manager of the Tradex Family of Mutual Funds
(TMI) is an Investment Fund Manager for the proprietary Tradex family of mutual funds, which are offered for sale by Prospectus through registered dealers in every jurisdiction of Canada. (In this regard, we are registered by the Ontario Securities Commission, l'Autorité des marchés financiers and Newfoundland and Labrador Securities Commission as an Investment Fund Manager.)

Distributor of Investment Funds in Ontario, Quebec and B.C.
In Ontario, Quebec and B.C., TMI is a Mutual Fund Dealer (regulated by the provincial securities commissions and the Canadian Investment Regulatory Organization). As such, investors living in these provinces can purchase directly through TMI the three proprietary Tradex funds as well as hundreds of other non-proprietary funds offered by other fund companies. These include funds offered by TD Bank, Royal Bank, Franklin Templeton and Beutel Goodman, to name just a few. TMI also distributes Exchange Traded Funds (ETFs) through an arrangement with B2B Bank or Agora Dealer Services.

Distributor of GICs and other Deposit Instruments in all Provinces
TMI distributes deposit products including the Tradex Investment Savings Account (and other daily interest savings accounts), Guaranteed Investment Certificates (GICs), Principal Protected Notes (PPNs) and term deposits to its clients. Except for PPNs, these products are subject to insurance coverage by the Canadian Deposit Insurance Corporation or similar provincial deposit insurance arrangements. TMI is a Member of the Registered Deposit Brokers Association of Canada.

Distributor of Life Insurance Products in Ontario
TMI offers a wide range of life insurance products in Ontario, acting as an agent for several leading Canadian insurance companies.

Types of Accounts

Open (non-registered) Accounts
TMI acts as both the Distributor and the Manager of the proprietary Tradex Funds. Therefore, for these funds your account will be held directly with TMI and all confirmations, statements, tax slips, etc. will be issued directly by our registrar (currently RBC Investor Services). There are no administrative fees payable by clients with these accounts.

When you purchase non-proprietary funds through TMI issued by a different investment fund manager (for example, RBC, Mackenzie or Franklin Templeton Funds) you will receive your confirmations, statements, tax slips etc. from that investment fund manager. TMI will also mail to you a quarterly account statement that includes all of your transactions for the period (Alternatively, for clients authorizing/ requesting, Tradex provides electronic monthly statements). TMI charges no administrative fees for these accounts.

Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Fund (RRIF) Accounts
Similar to open accounts, if you hold only Tradex mutual funds, your RRSP or RRIF account will be held directly with Tradex and RBC Investor Services, the Trustee for these accounts. TMI absorbs any administrative fees for these accounts.

We also arrange so-called "self-directed" RRSP/RRIF/TFSA/Non-Registered accounts with different intermediaries (currently B2B Bank and Agora Dealer Services Corp.). These plans permit multiple investment options within one account. TMI pays the annual administrative fees for these accounts where the relationship with the client provides sufficient revenue to TMI to cover the costs charged by the intermediary.

Tax-Free Savings Accounts (TFSA), Registered Education Savings Plans (RESP), First Home Savings Accounts (FHSA) and Registered Disability Savings Plans (RDSP)
TMI administers its own TFSAs whereby the client may hold any combination of the three Tradex proprietary mutual funds and the Tradex Investment Savings Account. There are no administrative fees charged for these accounts. We also distribute TFSAs offered by other investment fund managers. While TMI charges no fees on these accounts, clients will be subject to any fees that the provider of the account charges.

With respect to RESPs, FHSA's and RDSP's TMI does not offer clients its own proprietary plan. However, we distribute the plans for a number of the leading investment fund managers in Canada. While TMI charges no fees on these accounts, clients will be subject to any fees that the provider of the account charges.

TMI's Management of Conflicts of Interest in the Best Interest of Clients

Pursuant to National Instrument 31-103- *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103"), as a registered firm, TMI is required to take reasonable steps to identify existing material conflicts of interest and material conflicts of interest that are reasonably foreseeable (a) between it and a client, and (b) between any employee acting on its behalf and a client. A conflict of interest generally arises where: (i) the interests of a client and those of TMI or its employees are inconsistent or divergent, (ii) TMI or its employees may be influenced to put their interests ahead of their client's interests, or (iii) monetary or non-monetary benefits or potential detriments to TMI or its employees may compromise a reasonable client's trust. A conflict of interest may also arise where there are differing interests amongst clients, resulting in preferential treatment for some in the operation and management of their account. Generally, a conflict of interest is material if the conflict may be reasonably expected to affect the decisions of the client in the circumstances and/or the recommendations or decisions of TMI or its employees in the circumstances.

TMI must address all material conflicts of interest between a client and itself, including each employee acting on its behalf, in the best interest of the client and must avoid any material conflict of interest if the conflict cannot otherwise be addressed in the best interest of the client. TMI's employees (including its advising representatives) have similar obligations to identify, address and/or avoid material conflicts of interest between each such individual and the client in the best interests of the client. TMI must inform its impacted clients, in a timely manner, of the nature and extent of an identified material conflict of interest where such clients would reasonably expect to be informed of it.

In addition to its obligations under NI 31-103, as an investment fund manager, pursuant to National Instrument 81-107– *Independent Review Committee for Investment Funds* ("NI 81-107"), TMI refers all conflict of interest matters of the Prospectus Funds to the Independent Review Committee (the "IRC"). The IRC that each Tradex Fund is required to have under NI 81-107 and reviews and provides input on conflict of interest matters in respect of TMI and the Tradex Funds that are referred to the IRC by TMI.
Described further below and categorized by themes, we have listed the key material conflicts of interest that affect TMI's clients as follows:

Related Party Activities – covers the potential conflicts related to TMI's use of proprietary funds
Since TMI is the Investment Fund Manager of the proprietary Tradex Funds and also a Mutual Fund Dealer for the proprietary and non-proprietary funds, it is considered a deemed conflict of interest that TMI may favour its proprietary funds over non-proprietary funds. TMI addresses this conflict in a variety of ways. TMI's advisors and staff are paid by salary only and are not incentivized by way of compensation or sales objectives to favour TMI's proprietary funds. Furthermore, TMI has a robust Know Your Product process for all proprietary and non-proprietary funds it distributes, including monitoring and an ongoing evaluation of the suitability of all funds for client portfolios. Finally, as the investors in the TMI proprietary funds are the beneficial owners of TMI – receiving surplus revenue available annually in the form of a management fee reduction – the interests of TMI and clients are aligned.

TMI contracts with external managers to manage the investment portfolios of the proprietary Tradex Funds. Aside from providing direction in terms of overall investment guidelines and mandate, no employee, member of the TMI Board of Directors or member of the proprietary Fund committee is permitted to recommend or otherwise influence the external managers with respect to the trading of a specific security or market sector.

Internal Compensation and Incentive Practices
TMI needs to ensure that its internal compensation practices do not create the potential for a conflict of interest by influencing employees to put their interests ahead of the interests of clients (e.g., if they could result in promoting or recommending certain products over others to receive higher compensation or more incentives). TMI also ensures that its advisors are subject to rigorous supervision and monitoring and requires them to meet a high standard of business and personal conduct, integrity and professionalism and to adhere to comprehensive codes of conduct and other policies.

All TMI employees, including advisors (Approved Persons), are salaried employees. They receive no commissions---or other monetary incentives--- whatsoever for the transactions that they initiate on behalf of clients. Moreover, there are no individual sales targets that could otherwise create a conflict of interest. TMI does not charge the client account set-up fees, administrative account fees, redemption fees or sales commissions. Moreover, TMI absorbs certain annual administration fees charged by intermediary account providers. TMI also reimburses administrative transfer fees charged by relinquishing institutions for assets being transferred into a TMI-administered account. Once you provide us with proof of transfer fees, Tradex will deposit that amount in a high interest savings account or, where an existing holding has been redeemed by the relinquishing institution to collect the fee, Tradex will repurchase that same holding. If the reimbursed fee is to be invested in a different manner than indicated above, Tradex will request your authorization to do so.

Referral Arrangements
A referral arrangement means any arrangement in which TMI agrees to provide or receive a referral fee or other benefit to or from another person or company for the referral of a client. Receiving such a referral fee or other benefit may create an inherent conflict between the interests of a referred client and the interests of the referring party because the referral may not necessarily be based on factors that are in the best interests of the client. Accordingly, prior to referring a client in exchange for a referral fee or other benefit, TMI must determine that making the referral is in the client's best interest including a consideration of the benefits to the client of making the referral over alternatives or at all. Similarly, TMI may not refer a client to an entity unless TMI first takes reasonable steps to satisfy itself that the entity has the appropriate qualifications to provide the contemplated services, and if applicable, is registered to provide those services to the client. TMI must also assess the types of clients that the referred products / services will be appropriate for, and consider the features, characteristics, and fees associated with the products / services, and the benefits to clients, including against alternative products / services (internal or external, as applicable). TMI also monitors and supervises each referral arrangement that it enters to ensure that it complies with the requirements of applicable securities laws and continues to comply for so long as the referral arrangement remains in place. In all cases, the terms of each referral arrangement will be set out in a written agreement and clients will receive disclosure regarding the referral arrangement in accordance with applicable laws.

TMI has three referral arrangements. First, it receives a one-time referral fee between $500 and $1,000 if it refers a client to Manulife Financial Corporation for its Manulife One mortgage product, depending on the credit limit. Furthermore, it receives an ongoing monthly commission of 0.008333% on the outstanding negative or positive balance in Manulife One product providing TMI maintains ten "in-force" mortgages annually. Second, TMI has an arrangement with Qtrade discount brokerage such that TMI will receive $100 per new funded Client, plus Qtrade will pay a referral fee equal to 10 basis points on an annual basis of the average daily assets held in Qtrade Investor accounts held by clients referred by TMI. Finally, TMI has a referral arrangement with B2B Securities Services Inc. under which TMI receives no compensation for any client referred. **If you would like more information regarding the compensation that TMI receives please ask any of its Officers or Advisors.**

Outside Business Activities
A TMI employee is required to consider whether any of the activities in which they would like to engage outside of their employment could result in an actual or perceived conflict of interest with TMI or its clients i.e. affect or be perceived to affect the ability of the employee to properly carry out their responsibilities at TMI and their duties to clients or that could affect, or be perceived to affect, the ability of TMI to meet its responsibilities as a registrant and fiduciary. An employee must disclose proposed outside activities to their supervisor and seek approval from the Chief Compliance Officer ("CCO") of TMI before taking on any such activity.
Requests for approval to engage in outside activities are declined by the CCO if:

- the conflict of interest would be one that is prohibited by law, would contravene internal Codes of Conduct, or would be one that TMI could not manage to an acceptable level, or
- the outside activity would interfere with the employee's ability to act in the best interests of, or perform work for, TMI and its clients.

TMI also reports the outside business activities of registrants with regulators as part of ongoing registration obligations.

Compensation

TMI receives compensation for the services it provides as follows:

As Investment Manager of the Tradex Family of Mutual Funds
TMI receives a management fee from the three proprietary Tradex funds for directing the business, operations and affairs of the funds. This fee ranges from 60-70 basis points per fund ($6-7 per $1,000 investment) per annum.

As Mutual Fund Dealer and distributor of Mutual Funds in Ontario, Quebec and B.C.
When we distribute a non-proprietary mutual fund offered by another investment fund manager, we typically receive a "trailing commission" for as long as you own that fund through us. It is for the services and advice that we provide you. This trailing commission is paid out of the management fee charged by the other firm. Since the trailing commissions we receive from non-proprietary funds are already included in the funds' management expense ratio, holding these funds through TMI does not add to your costs (i.e., TMI receives this amount rather than another fund company or dealer). The trailing commission may vary anywhere from 0% to 1.25% per annum as outlined in the prospectus and Fund Facts for each series of fund that we distribute. We also act as the distributor for the Tradex Funds and, as such, we are obliged to collect a trailing commission of 0.25% on these funds. However, this commission is immediately refunded.

Service Fees
Certain mutual fund companies offer fee-for-service accounts when certain asset thresholds are met, whereby the company collects an agreed upon fee and submits it to Tradex instead of a trailing commission. The criteria for these "client-name" accounts will vary among companies and will be fully disclosed prior to account opening. TMI offers a fee-based intermediary account through its intermediaries, using F-class mutual funds from which the intermediary collects an advisory fee between 0.5% and 0.7% (depending on the asset value of the account) and remits to TMI subject to an arrangement signed by the client. The intermediary charges an annual

administration fee (per its most recent fee schedule) for such accounts which TMI absorbs as part of the advisory fee.

As Distributor of Savings Accounts, GICs and other Deposit Instruments
TMI receives a fee of between 10 and 20 basis points per annum from Manulife Bank of Canada for funds held in the Tradex Investment Savings Account. This amounts to between $1.00 and $2.00 for every $1,000 held in the account for a full year. TMI collects a commission for distributing GICs which typically amount to 10 to25 basis points per year of term selected by the client, paid in advance. For example, the commission fora GIC with a two-year term this would typically amount to $2.00 to $5.00 per $1,000 invested. The fees paid to us when we distribute Principal Protected Notes vary according to the individual offering, but they are typically considerably higher than for regular GICs.

As Distributor of Life Insurance Products in Ontario
Tradex receives the standard commission based upon a percentage of the annual premium and total premiums payable over the life of the policy.

Exchange Traded Funds (ETFs)
TMI acts as a distributor of ETFs through a regular intermediary account or fee-based account with B2B Bank or Agora Dealer Services. We are able to distribute those ETFs currently approved by B2B Bank, which currently charges a fee of $35 per trade. In addition, TMI will collect a fee of $15 per trade. These fees may be refunded if the anticipated TMI advisory fees collected from the B2B account exceed the ETF trading fees and the annual B2B administration fee. Tradex will only process market orders and limit orders until the end of the day only.

We Operate on an "at-cost" Basis and Return Any Extra Revenue to our Funds
In dealing through Tradex it is very important to know that we are unique among Canadian investment fund companies in that Tradex is 100% investor owned. We operate on an "at-cost" basis with any revenue in excess of operational requirements and prudential capital is rebated to the three TMI proprietary funds. When available, excess revenue is returned to one or more of the Tradex Funds at mid-year while any surplus funds for the year are rebated to the three Funds at year-end on a pro-rated basis based on the amounts paid to TMI by such Funds.

"Know your Client" (KYC) and Investment Suitability Requirements

Pursuant to the Know Your Client ("KYC") requirements of Canadian securities laws, TMI must collect information about its clients that will help TMI to establish the client's identity and ensure it has sufficient information to comply with its suitability determination obligations. The KYC requirement is an ongoing obligation and TMI is required to take reasonable steps to keep KYC information current, including at minimum prescribed intervals and upon becoming aware of a significant change to the client's KYC information.

The types of KYC information that TMI collects must include the client's: investment needs and objectives, investment knowledge, personal and financial circumstances (including liquidity needs and financial assets), investment time horizon (the length of which may impact the types of investments that may be suitable) and risk profile (reflects the lower of (a) risk tolerance and (b) risk capacity).

For the purposes of establishing the identity of a client that is a corporation, a partnership or a trust, TMI is also required to collect information regarding the nature of the client's business and the identity of any individual who:

- if the client is a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation, or
- if the client is a partnership or trust, exercises control over the affairs of the partnership or trust.

A description of the definitions for the standard categories of primary investment objective and risk tolerance/capacity is provided in the account-opening documentation (Please refer to the actual form).

In order to meet its suitability determination obligation in relation to a client, TMI must take reasonable steps to ensure that, in advance of any investment action it takes, any recommendation it makes or any discretion it exercises to take any investment action is suitable for the client and puts the client's interest first.

If TMI receives an instruction from a client to take an action that, if taken, TMI determines is not suitable for the client, TMI may carry out the client's instruction if they have informed the client of the basis for the determination that the action is not suitable, recommended to the client an alternative action that is suitable, and received recorded confirmation of the client's instruction to proceed with the action despite the determination that the action is not suitable.

Protection of Older and Vulnerable Clients

In order to enhance the protection of older and vulnerable clients, securities legislation has provided TMI the tools to address issues of financial exploitation and diminished mental capacity of clients. TMI is required to take reasonable steps to obtain from its clients the name and contact information of a ***trusted contact person*** and the client's written authorization for TMI to contact the trusted contact person to confirm or make inquiries about matters that include our concerns about possible financial exploitation of the client or about the client's mental capacity as it relates to the ability of the client to make decisions involving financial matters.

Securities legislation provides for TMI to place a temporary hold on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client's account TMI reasonably believes that the client is a vulnerable client and financial exploitation of the client has occurred, is occurring, has been attempted or will be attempted. TMI must not place a temporary hold on the basis of a client's lack of mental capacity unless TMI reasonably believes that the client does not have the mental capacity to make decisions involving financial matters. TMI must document the facts that caused it to place the temporary hold, provide notice of the hold to the client, review the facts after placing the temporary hold and on a reasonably frequent basis to determine if continuing the hold is appropriate and, within 30 days of placing the temporary hold and until the hold is revoked and within every subsequent 30-day period, revoke the temporary hold or provide the client with notice TMI's decision to continue the hold and the reasons for that decision.

Important Administrative Items

Handling Your Money

An important thing for you to know in dealing with us is the way in which we handle your money. Here's a summary:

• First, we do not accept cash, nor will we pay you in cash. We only transact business through cheques and electronic transfers of funds to and from your deposit taking institution.

• If you pay for a purchase by issuing a cheque payable to Tradex, Tradex in Trust or a specific fund company, the cheque will be deposited in a trust account specifically set up to handle client transactions. This trust account earns a variable rate of interest of prime minus 2%, which we are required to allocate based on cash flows. If any

client is responsible for more than $50 of interest generated in the trust account, and that money is allocated back to the client. Any excess interest is allocated to the funds. This ensures that TMI does not benefit from funds held by its clients in the trust account. As the vast majority of these cash flows involve the Tradex proprietary products, the nominal amount of short-term interest earned is paid into Tradex Funds

• By completing the appropriate forms, you may also authorize us to transfer funds in and out of your deposit taking account with a bank, trust company or credit union. If we withdraw money from your bank account (in every case we need your authorization) it will be placed in a trust account until the transaction is completed.

• Similarly, if you make a redemption, you will be issued a cheque in your name, or we will authorize the funds to be deposited directly into the bank account that you have on record with TMI.

Trade Confirmations

• For "client name accounts", each time you complete a transaction you will receive a trade confirmation in the mail confirming the trade details including the trade date, settlement date, price per unit, and units/shares transacted. The trade confirmation will be sent by the investment fund manager that manages the fund. For example, if you purchase/sell a Tradex Fund the confirmation will be sent by the registrar for Tradex Funds (Currently RBC Investor Services). Similarly, if you purchase/sell a non-proprietary fund the confirmation will come from that fund company.

• For "intermediary accounts" (including self-directed RRSP, RRIF, TFSA and non-registered accounts). These accounts are administered by an intermediary company, and the funds are held for you in trust. Depending on the particular arrangements we have in place, you may or may not receive a confirmation for each individual transaction. In this regard, in all cases you will be able to view the activity in the account through the intermediary's secure web site and/or on their statements, or on their TMI dealer statements.

Account Statements

Clients will receive a quarterly account statement that includes the opening and closing market values and all of their transactions for the period. (Statements are issued monthly for clients who have signed up for electronic statements). Clients will also receive the following statements:

• If they hold, in client name, funds issued by another investment fund company they will also receive a periodic statement from that fund company (at least annually).

• If they hold funds in an intermediary account (such as a self-directed RRSP) they will receive a quarterly statement (electronic or physical) from the intermediary administering the account.

• If they hold ETFs in a B2B account, they will only receive periodic statements from B2B for that particular account.

Performance Benchmarks

An investment performance benchmark is a standard against which the performance of your investments is compared, providing investors with a point of reference upon which to make informed decisions about their investment options. When comparing your investment returns to the returns of an investment performance benchmark, keep in mind that: (1) the composition of your investment portfolio reflects the investment strategy you have agreed upon, which may result in the composition of the investment performance benchmark differing; (2) investment performance benchmarks do not generally include charges and other expenses. We may use investment performance benchmarks to assess the performance of your investments and to allow you to assess their performance against an index of securities reasonably reflective of the composition of your investment portfolio. If you wish further information about investment performance benchmarks, please call or e-mail.

TMI believes in tailoring individual portfolios to the unique requirements of each member and in allocating assets appropriately at the total portfolio level for an individual member's goals, needs, objectives and risk

tolerances. The allocation amongst accounts is based upon other considerations such as tax minimization, cost minimization, accessibility, and liquidity requirements; hence we will not be providing benchmarks as dealer at the account level. We will continue to provide the three benchmarks commonly utilized for investments in the three main asset classes of Canadian equities, Canadian bonds, and global equities in our Quarterly newsletter (where permitted at no cost) and Management Reports of Fund Performance for the Tradex Funds.

Terminating your Relationship with TMI

A client may terminate his/her relationship with TMI at any time. TMI charges no redemption fees, transfer fees or any other type of fee when the client decides to terminate his/her relationship with TMI.

Clients that hold a self-directed intermediary account who terminate their relationship with the intermediary for the account (and for example, transfer their account to another company) may face transfer-out fees imposed by the relinquishing intermediary company. Similarly, some RESP plan sponsors impose a fee for cancelling an RESP.