



# RAINTREE FINANCIAL SOLUTIONS

and our relationship with you

---

Revised December 31, 2021

## Relationship Disclosure Information

Thank you for choosing to engage with Raintree Financial Solutions Inc. (RFS) as your exempt market dealer. This Relationship Disclosure Information form (RDI) sets out important information about the nature of our relationship with you as our client and describes the roles and responsibilities that each of us has in that relationship. On the last page of this document is an acknowledgment that we ask you to sign, stating that you have received, read and understood the information provided in this form.

### About this RDI Form

This document covers a number of important topics, including:

- Information about RFS, our role as exempt market dealer and the role of your RFS Registered Representative;
- The nature of your account with RFS;
- A general description of the products and services offered by RFS and your Registered Representative and how we are compensated;
- The risks of investing in exempt products and the risks of borrowing to invest;
- Our obligation to determine the suitability of an investment action taken by you through the firm, the information we collect from you to do this and your responsibility to help keep this information current;
- How we address material conflicts of interest; and
- How we respond to client complaints.

Additional sources of information may be referenced throughout this document, including in the following appendices:

Appendix A - Privacy Policy

Appendix B - Important Information on Material Conflicts of Interest

Appendix C - Additional Information on the Impact of Fees, Costs, and Expenses

This RDI will be provided to you at the time of entering into a relationship with RFS as your exempt market dealer, as well as periodically throughout our relationship in the form of an updated RDI or supplemental agreements and disclosures between us not specifically referenced. If there are significant changes to the information contained in this document, you will be provided with an updated version in accordance with our document transmission policies, including by delivering

a copy to your RFS investor portal. Please review all of this documentation in detail to make sure that you understand our respective obligations and how we can work together to create the best experience possible.

### About RFS and Our Role as Exempt Market Dealer

RFS is a dealer of private capital investments, registered as an exempt market dealer in certain jurisdictions in Canada, with our head office and principal regulator in Alberta. Through our network of registered dealing representatives (Registered Representatives) across Canada, we help Canadian investors that meet the necessary criteria to purchase certain investments under exemptions from the prospectus disclosure requirements most commonly associated with publicly traded companies and funds. These private capital investments are commonly called “exempt market securities” or “exempt products”. These investments are not controlled or managed by RFS unless explicitly identified otherwise.

The descriptions, features and legal information relating to the features and structure of exempt products we distribute are contained in their respective offering documents and will be described to you by your Registered Representative.

We do not distribute prospectus qualified investments or transact in securities through marketplaces on a stock exchange.

### The Role of Your RFS Dealing Representative

Your Registered Representative is a registered dealing representative of RFS and may also be referred to as a Private Wealth Advisor within the organization. You can verify their status as a Registered Representative of the firm by checking with the Canadian Securities Administrators at [www.aretheyregistered.ca](http://www.aretheyregistered.ca).

Your Registered Representative is primarily responsible for providing services to you on behalf of the firm, including the collection of know-your-client (KYC) information and the performance of suitability



determinations as described in this RDI. The name of your Registered Representative will be displayed on applicable reports sent to you by the firm.

### **Our Fundamental Duties to You**

Pursuant to applicable laws, RFS and your Registered Representative have an overarching responsibility to act fairly, honestly and in good faith in all dealings with you as our client. When recommending or accepting instructions from you to perform an investment action, we must put your interests first, ahead of our own, unless this obligation has been expressly waived by you or is otherwise exempted under applicable laws. We must also identify and address material conflicts of interest that have been identified by the firm in your best interest.

### **The Nature of Your Account with RFS**

If you enter into an arrangement to purchase exempt market securities through RFS, we refer to this as your “account”. The concept of your account with us is purely informational and recommendation-based in nature. We do not hold assets or investments for you, and we do not have any control over your investments or capital before, during or after the investment process. In support of services provided to you by us, you may independently decide to open a self-directed account with an arms-length custodian or financial institution to hold your investments and/or capital. These custodial services are not provided by RFS and we have no custody, management, possession or control over your securities or cash holdings, nor do we have authority and discretionary rights in respect of these third party custodial accounts. It is your responsibility to coordinate and communicate with the custodian or financial institution for all matters relating to your account with them, including the holding exempt market securities that have been acquired through the firm.

Some of the products we distribute may be eligible to be held in a registered plan. Examples of the types of optional account types and plans that may be available include RRSPs, RRIFs, RESPs, TFSA, LIRAs, LLIFs, LRSPs and Locked-in-Plans. If you have opted to hold your investment in a registered plan, the issuer of securities distributed by RFS may have arrangements with one or more approved trust companies or financial institutions to hold the securities of your fund. You may also speak to any financial institution of your choice to determine if they will agree to hold the securities in a registered plan.

As a holder of exempt securities, you may receive distributions of income and capital, or perform redemptions, reinvestments or other actions that neither

RFS nor your Registered Representative are directly involved with. We strive to obtain sufficient information from the issuers of these securities but cannot guarantee that it has been provided to us to keep the information in your account current as an accurate representation of your holdings. It is important to review information provided directly to you by issuers and third-party custodians or financial institutions and contact us where this information appears inconsistent with what we are reporting.

Since your account is recommendation-based and informational in nature, we require that you provide us with updated personal and know-your-client information no less frequently than every 36 months (see “The Information We Must Collect” in this RDI). Failure to provide this information may result in a closing of your “account” by RFS as we may be unable to adequately discharge our duties to you. Closing your account will not impact your ownership of any investments acquired during the account relationship nor will it terminate any third party custodial or financial institution arrangements you have made to hold those investments. RFS will cease to report to you in respect of your holdings and will provide no further recommendations relating to investment action recommendation or suitability determinations.

### **Services Offered by RFS and Our Registered Representatives**

Investment brokerage firms provide varying levels of service to their customers based on the types of accounts available. This can include managed accounts, where a portfolio manager independently exercises authority to make investment decisions, order-execution only accounts, where no advice is given and you are entirely responsible for your own investment decisions, or advisory accounts, where recommendations are made to you on investment ideas, upon which you may or may not decide to act. RFS and our Registered Representatives only offer advisory accounts, so our services are limited to recommendations upon which you will independently decide whether or not to act.

As an independent exempt market dealer, RFS is typically not the investment issuer nor does it directly buy or sell securities on your behalf. When you purchase an issuer’s investments through your Registered Representative, you are creating an investment relationship with the issuer for the ongoing care and control of your investment and RFS has no control over the performance of that investment or the post-trade activities of the issuer and any manager of that investment.



When we provide services to you, it is our mandate to always deal with you fairly, honestly and in good faith. To meet these requirements, your Registered Representative must determine whether a potential investment action is suitable for you, unless waived in special circumstances. Your Registered Representative's responsibility to determine whether an investment action is suitable for you is a cornerstone of the Canadian investor protection regime.

Certain Registered Representatives may also offer insurance, financial planning, borrowing services or other outside services. It is important to recognize these are not RFS services, but are offered as outside business activities by your Registered Representative. RFS is not affiliated with, nor does it control or directly influence any of these services. They are not provided by RFS and are subject solely to any agreement you enter into with the Registered Representative in their other business capacity, or such other third party being represented by them at the time. For full details on what this means for you, please speak with your Registered Representative or with the RFS Compliance Department and review the Important Information on Material Conflicts of Interest in Appendix B and any supplemental disclosures provided by your Registered Representative at the direction of the firm.

### **Our Suitability Obligation**

Unless waived in certain circumstances, your Registered Representative has an obligation to take reasonable steps to assess whether an investment action through RFS (such as a decision to open an account, deposit or transfer securities into the account or purchase an exempt product) is suitable for you and puts your interest first before making a recommendation or accepting instructions to take the investment action. This information may also be reviewed by us periodically, including in the event of a change in your Registered Representative, a material change to your personal information, or a significant change to an investment holding in your account that could reasonably be expected to impact its suitability (and only where subsequent investment actions such as redemption are available).

If an investment action is considered to be unsuitable, your Registered Representative will discuss the situation with you and may advise against the action. In some cases, your Registered Representative may also suggest that you redeem or continue to hold certain products already in your account to ensure the overall suitability of your account holdings relative to your stated investment objectives and risk tolerance. It is important

to know that many exempt products cannot be reasonably redeemed and therefore will not be assessed as part of your account after the initial purchase.

### **The Information We Must Collect**

In addition to making suitability determinations that put your interests first (unless waived), we also have legal obligations to collect information relating to Canadian and international money-laundering and terrorist financing regulations, and certain tax residency matters. In order to meet these obligations, we need to collect relevant information about you including personal information, your financial circumstances, investment objectives, time horizon, risk profile and other personal circumstances.

This information is collected through a know-your-client (KYC) process and form. RFS and our Registered Representatives use this information subject to our privacy policy set out in Appendix A and apply it to our knowledge and understanding of the investment action. By this process, the Registered Representative is able to help determine whether an investment will fit your needs and objectives. The KYC information we collect is provided to our clients and can be accessed on your RFS investor portal.

Our ability to meet our legal and regulatory obligations relies on your collaboration throughout the relationship. Therefore, we ask our clients to remember the following:

- **Be Open and Honest:** Your Registered Representative will be asking for personal information about your investment needs, objectives, time horizon, risk profile, personal circumstances and knowledge level. It is very important to be honest about your expectations and concerns and to provide them with full and accurate information.
- **Keep Us Up-to-Date:** We understand that things can change. This will have an impact on how you make future investment decisions, so we ask that you inform us whenever there is a change to your information that could affect, in particular, your income, investment objectives, time horizon, risk profile, net worth and investment liquidity needs.
- **Be Informed:** Our Registered Representatives have been trained to help deliver the information you need to make your investment decisions. However, these decisions are being made by you as the client and you must carefully review sales literature and legal





documents provided by the firm and applicable issuers or managers so as to fully understand the investments. Where appropriate, we expect that you will seek additional advice from other professionals such as lawyers or accountants since we cannot provide legal or tax advice.

- **Ask Questions:** We encourage you to ask questions and request information from the firm or your Registered Representative to resolve questions about your account, transactions, investments or your relationship with the firm and/or Registered Representative.
- **Stay on Top of Your Investments:** At RFS, we ask our clients to review all account documentations provided by both RFS and the issuers. If you see any inaccuracies or issues, please get in touch with us and we will work with you to help resolve them. Since we don't control the investment issuers, we can't help unless we know there's a problem.
- **Stay on Top of Your KYC:** Our Registered Representative's ability to provide suitable recommendations relies significantly on the information you have provided to us about yourself in the KYC process. We ask our clients to periodically review this information and communicate openly with your Registered Representative about any potentially significant changes. If you see any inaccuracies or issues, please get in touch with us and we will work with you to help resolve them. Failure to keep us up-to-date may result in a closing of your RFS "account" however this will not impact your ownership of any investments acquired during the account relationship.

## General Risks of Your Investments

We strive to help you find the right private capital investments for your investment profile, but there are certain inherent and unavoidable risks to investing that you need to be aware of before deciding to invest. Some of these risks arise from the nature of private capital investments, including:

- **Less Regulatory Protection:** The issuers' offering documents are not reviewed by regulators for completeness or accuracy and do not generally have the same protections as publicly-traded securities or the securities of a

reporting issuer. No securities regulatory authority will have assessed the merits of any of the securities sold by RFS.

- **Less Reporting and Post-Acquisition Transparency:** The issuer of your securities may be a "non-reporting issuer". A non-reporting issuer is not required to publish certain financial information or notify the public of certain material changes to its business. Once you invest, you may not receive ongoing information about the issuer, which may limit the knowledge you will have of your investment after the initial purchase. This includes the fact that market value can be very difficult for us to ascertain and may result in "non-determinable" market values until an exit event has occurred.
- **No Deposit Protection:** Exempt products are not insured as bank deposits and are not protected by the Canadian Investor Protection Fund or the Investor Protection Corporation.
- **Limited or No Liquidity:** Exempt products are generally "illiquid", meaning they cannot be readily converted to cash through sale or other means. Since the securities you are buying through an RFS account are typically not reporting issuers, are not listed on a stock exchange and may never be listed on one, there is no active market. Finding a purchaser for your investment on a secondary market may not be possible. In addition, most private capital securities are limited by regulation in who you can sell them to and are subject to resale restrictions by the issuer. Even if you manage to find a potential buyer and obtain the issuer's consent to a sale of your investment, the transaction may be prohibited by applicable laws. You may never be able to sell these securities.

Some exempt products may have redemption rights that allow the investment holder to request that the issuer "re-purchase" the investment using a pre-determined price or formula. Although this can create limited liquidity, the ability to redeem may be restricted by the issuer with respect to general availability (ie. the issuer may limit or prohibit the total number of redemptions within a period of time), time (ie. redemptions may only be available during certain periods and with significant advance notice), and penalties (ie. redemption may occur at less than the acquisition cost or



market value). In some cases, redemption of securities may result in the issuance of debt instruments that do not qualify for registered plans such as RRSPs or TFSAs and can create taxable events.

- **Key Person Risk:** Exempt products can be subject to a pronounced 'Key Person' risk since the issuers of exempt products are generally smaller than the issuers of publicly traded securities.

Additional risks associated with each investment you are purchasing will be set out in the offering documents provided to you and will be explained by your Registered Representative. For these reasons and others, private market investments sold by RFS are considered to be high-risk investment products.

### Borrowing to Invest

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash. If you borrow money to purchase securities, you have the responsibility of repaying the loan and all interest even if your investment doesn't perform.

The use of borrowed funds will magnify losses in situations where the value of your investment declines. This is particularly important when considering the general illiquidity of exempt products. We typically don't recommend investing in exempt products through the use of borrowed funds and encourage you to consider the following risks:

- **Interest Rate Risk:** Your interest rate on the borrowed funds may fluctuate upward and your monthly payments may also increase. Over the long term during which you will be repaying borrowed funds, your personal income may drop, which could make it difficult or impossible for you to continue meeting your payments.
- **Market Risk:** All investments have market risk, hence your investment may go down in value. If you are borrowing to invest, these risks are magnified, as your rate of return has to be high enough to cover the cost of servicing both the interest and principal of your loan.
- **Tax Risk:** The interest that you pay on borrowed funds may not be deductible for tax purposes. Please consult your tax professional regarding tax implications of borrowing to invest.

- **Emotional Risk:** If you experience anxiety or discomfort at the thought of your investments taking a downturn, you should avoid using leverage, as it will magnify risk with respect to any losses and cause additional stress.

### Conflicts of Interest

Conflicts of interest in the investment industry arise when the dealer or Registered Representative have incentives that are contrary to the goals and objectives of their clients. This can undermine the cornerstone obligations of the Registered Representative to assess the suitability of investment action recommendations by putting your interests first and acting fairly, honestly and in good faith. Material conflicts of interest must be addressed by us in your best interests and disclosed if a reasonable client would want to be made aware of the existence of the material conflict of interest. We must avoid all material conflicts of interest that are prohibited by law or that cannot otherwise be addressed in the best interests of our clients.

We take this obligation very seriously and strive to provide the utmost transparency with respect to our approach to Material Conflicts of Interest. Please review the Important Information on Material Conflicts of Interest set out in Appendix B for more detail on how we do this.

### How RFS and its Registered Representatives Are Compensated

When a Registered Representative helps you purchase an investment or refers you to an outside investment service, RFS as the dealer is typically paid a commission, calculated as a percentage of your total investment amount; however this amount and its method of calculation may vary from product to product. A portion of that commission is then paid by RFS to your Registered Representative. In addition, some investments will pay what is called a "trailing commission" or "trailer" to RFS. These are post-trade fees (annual or otherwise) that are additionally paid to RFS for so long as you remain an investor. Your Registered Representative will disclose these amounts to you at the time of each investment purchase.

RFS offers a variety of products and the compensation structure for each one is different. Please speak to your Registered Representative for details on the compensation structure relating to your particular investments. The compensation that RFS is paid for distributing third party investments is not typically deducted from your principal investment amount, so if you purchase an investment for \$1 and RFS earns a



commission of 8%, you are still shown to have invested \$1 (ie. it is not reduced to \$0.92 on the issuer's securities ledger). In certain cases, compensation may be payable by you directly to RFS and/or be deducted from the investment amount. These situations will be disclosed in writing so that you can evaluate their impact on your investing decision. It is also important to know that certain referral fees paid by service providers to RFS may be derived from the fees that the service provider charges you directly for.

While commissions and trailers paid to us by the issuer are not deducted from your investment directly, they are often costs that are born by the issuer and reduce the total assets or available capital at the issuer.

RFS or its affiliate companies, including Raintree Corporate Finance Inc. (RCF) may also receive corporate finance and investment consultancy compensation from certain issuers whose securities are distributed by the firm and our Registered Representatives. These fees are paid to compensate the product review, consultation, advice, marketing and know-your-product (KYP) costs incurred by RFS prior to distribution. In addition to the above, we may receive corporate sponsorship from issuers for training and marketing events, however RFS does not accept sponsorship revenue that is calculated on the basis of total distribution volume or directly attributable to the services provided to our clients. We believe that a key tenet of a fair and efficient capital market is transparency between the dealership and its clients. Much like commissions and trailers, these fees are not directly attributed against your investment book cost but can be borne as an expense of the issuer, reducing the total assets or available capital at the issuer.

Additional Information on the Impact of Fees, Costs and Expenses is set out in Appendix C and describes how the compensation paid to Raintree can impact your investment returns over time.

### Costs of Operating Your Account

RFS primarily earns its compensation through commissions paid by the issuer. We do not charge you for operating your account nor do we charge you, beyond the compensation and commission details set out above, for making, holding or selling your investments. However, the product manufacturer or issuer may impose other costs relating to the making, holding and selling of your investment over which RFS has no control. Please refer to your subscription agreement and offering documents for details on these

costs and be sure to discuss them with your Registered Representative.

Some of the products we distribute may be eligible to be held in a registered plan. Examples of the types of optional account types and plans that may be available include RRSPs, RRIFs, RESPs, TFSAs, LIRAs, LIFs, LRSPs and locked-in plans. If you have opted to hold your investment in a registered plan, the issuer will have to have an arrangement with an approved trust company. Each trust company may have slightly varied options, so please speak to your Registered Representative for full details.

If your investment is held in a registered account, the Trustee charges annual fees for each initial account, and then smaller additional fees for each additional account. There are also fees for certain services including purchases, transfers, redemptions and estate settlements. These fees are subject to GST or HST and will vary according to the province or territory you reside in.

Please refer to your trust agreement for precise details. If you are purchasing an investment before finalizing the details of your registered plan, please discuss the costs in full with your Registered Representative.

Additional Information on the Impact of Fees, Costs and Expenses is set out in Appendix C and describes how fees, charges and compensation can impact your investment returns over time.

### Reporting to You

Once you have purchased an investment and for so long as you continue to have an account with the firm, RFS will report to you in accordance with the regulations in force from time to time (it is important to note that if you purchase securities through another dealer or adviser, we may not report to you in the same fashion). This reporting will include:

- **Trade Confirmations:** When you buy or sell an investment and the transaction closes with the product manufacturer, RFS will deliver you a Trade Confirmation that sets out all of the necessary information regarding the transaction, including the quantity and description of the security, the price per security, the commission paid to RFS, the name of your Registered Representative, the annual yield of debt securities (if reasonably determinable) and the settlement date of your investment.



- **Account Summaries:** RFS will deliver an account summary to you at least once every three months (or monthly if requested). The account summary will contain all of the following information about each transaction during the period covered by the statement including the date of the transaction: (i) whether the transaction was a purchase, sale or redemption, (ii) the name of each security, (iii) the price per each security, (iv) the quantity of each security, (v) the name of your Registered Representative and (vi) the settlement date of the transaction.
- **Position Statements:** Position statements will be sent on a quarterly basis for each account you have with us, unless you request to have them sent to you monthly. These statements will include, as at the date noted in the statement, (i) the name and quantity of each security, (ii) the market value of each security, (iii) the total market value of all security positions in the account, (iv) the cash balance in the account, (v) the total market value of all cash and securities, (vi) the name of the party that holds or controls the security and the way it is held, (vii) applicability of investor protection funds, (viii) whether a security is subject to a deferred sales charge, and (ix) the cost position of the securities.
- **Annual Report on Charges and Other Compensation:** An annual report will be sent to you that sets out the operating charges applicable to each account you have with us. These statements will include, as at the date noted in the statement, (i) operating charges applicable to the account, (ii) the total amount of each operating charge paid by you to the firm, (iii) the total amount of each transaction charge and the aggregate transaction charges, and (iv) the total operating charges and transaction charges.
- **Annual Investment Performance Report:** An annual performance report will be sent to you that sets out the investment performance for each account you have with us. These statements will include, as at the date(s) noted in the statement, (i) the market value of all cash and securities at the beginning of the 12-month period covered by the statement, (ii) the market value of all cash and securities in the account at the end of the 12-month period

covered by the statement, (iii) the market value of deposits/withdrawals of cash and securities into/out of the account, (iv) market value of all deposits/transfers/withdrawals into/out of the account (v) the annual change in market value of the account for the 12-month period covered by the report, (vi) the cumulative change in the market value of the account since account opening, (vii) annualized total percentage return for the account, calculated net of charges, using a money-weighted rate of return calculation method.

- **No Benchmark:** RFS does not use benchmarks to track your investment performance due to the unique nature of exempt products; particularly, that the investment value does not get assessed on a day-to-day basis through active trading. Benchmarks are a standard against which the performance of your securities may be measured. Since exempt market investments are traded privately, there is no mechanism to publicly discover the prices of other similar investments on a regular and reliable basis so measuring them against a public market benchmark could be misleading. As a result, we do not employ this practice.

It is important to note that much of this information is provided to us by the issuer and not independently calculated or verified by RFS. You should not rely on this documentation for tax purposes unless expressly stated otherwise.

#### **Consent to Receive Mandatory Information by Electronic Means**

Unless you expressly instruct RFS in writing to the contrary, you will receive all client account statements required by law to be sent to you at the electronic mailing address on record with RFS from time to time, or by posting on any electronic portal dedicated to you and associated with RFS, including without limitation the client portal administered by Exempt Edge Inc.

#### **Complaint Handling Process**

RFS is proud of the services that it provides, but we recognize the importance of having systems in place to address times where our clients have concerns. If we are unable to satisfactorily resolve complaints within a reasonable period of time, RFS clients may be eligible to pursue dispute resolution services at no cost to them through the Ombudsman for Banking Services and





Investments (OBSI). For information on OBSI, please contact us, or OBSI directly at 1.888.451.4519.

If you have a complaint about our services or the services of your Registered Representative, please contact us at:

**P** 780.443.0340      **F** 780.443.2656

**TF** 1.855.443.0340      **E** [admin@raintreeFS.com](mailto:admin@raintreeFS.com)

Tell us what went wrong, when it happened and what we can do to remedy the situation. We will acknowledge your complaint within five business days and may ask for clarification on certain key points. In order to help us resolve your complaint sooner, we would ask that you make sure that all information is transmitted to us in a timely manner and that you keep copies of all relevant documents including correspondence and notes.

We will strive to resolve your complaint within 90 days, and if we are unable to do so, will communicate the cause for delay and provide you with a new anticipated resolution date.

#### **For Quebec Investors**

If you are dissatisfied with the outcome of a complaint, or how it was handled, you may request to forward a copy of the complaint file to the Autorité des marchés

financiers. The AMF will examine the complaint and may act as a mediator if it considers to do so and the parties agree. The filing of a complaint with the Autorité des marchés financiers does not interrupt the limitation period of its appeal against the registrant before the courts of civil law.

#### **Language**

The parties acknowledge that they have required that all communication between the dealer and the client be made in English. They have also required that all documents including but not limited to the account opening forms, the statement of account, the sale documents, the brochures, the flyers, the folders, the commercial directories and any similar publication or agreement be drawn up in English.

Les parties reconnaissent avoir exigé que toutes les communications entre le courtier et le client soient faites en anglais. Ils ont également exigé que tous les documents soient rédigés en anglais, y compris mais sans s'y limiter, les formulaires d'ouverture de compte, le relevé de compte, les documents de vente, les brochures, les dépliants, les dossiers, les annuaires commerciaux et toute des contrats ou publication similaire.

APPENDIX "A" TO RAINTREE FINANCIAL SOLUTIONS INC. RELATIONSHIP DISCLOSURE INFORMATION FORM

## **Raintree Financial Solutions Privacy Policy**

### **Privacy Requirements**

As an organization that collects, uses and discloses personal information, Raintree Financial Solutions (RFS) is subject to the federal Personal Information Protection and Electronic Document Act (or by similar laws in the provinces of Alberta, British Columbia and Quebec), effective January 1st, 2004. In complying with these laws, it is important that RFS provide you with information so that you may fully understand what information we collect and the purposes for which your personal information is collected.

### **Personal Information RFS May Gather From Those Who Visit Our Website**

When you visit our website, you may provide us with personal information. This may include:

- **Email Forms:** If you use our email forms, we will generally ask you to provide contact information.
- **Surveys:** At times, you may be asked to complete survey questions that appear on the website. These may or may not contain personal information.

We use this information to assist us in providing and/or improving our services, to our existing and prospective clients.

### **Information Given via Conversation, Direct Email or the Investment Process**

Over the course of your relationship with RFS and your Dealing Representative, personal information will be collected in order to administer your account. This information typically includes your financial information, net worth and income and investment objectives in addition to your current investments, banking information and where necessary, your social insurance number.

### **Purposes of Collection**

Information of personal nature allows us to meet our regulatory duty to "Know Our Client" and act in your best interests when recommending the purchase or sale of investments. It also allows us to report to you and administer your account in a manner that complies with regulations.

### **Disclosing Your Personal Information to Others**

RFS respects your privacy. We protect your personal information and adhere to all privacy regulations. We do not rent, sell, or trade our mailing lists. The information you provide will be used to deliver services and to keep you informed and up-to-date on the activities of RFS.

At times, RFS may be required to provide this information to investment manufacturers and trust companies as well as securities commissions and other regulators or law enforcement agencies. These regulators may require access to the personal information of current and former clients, employees, agents, directors, officers, partners and others that has been collected or used by RFS.

Regulators collect, use or disclose such personal information for regulatory purposes, including:

- Surveillance of trading-related activity,
- Sales and financial compliance review and other regulatory audits,
- Investigation of potential regulatory and statutory violations,
- Regulatory databases,
- Enforcement or disciplinary proceedings,
- Information-sharing with securities regulatory authorities, regulated marketplaces and law enforcement agencies in any jurisdiction in connection with any of the above.

**Please note:** RFS must decline to accept or administer an account if you do not consent to collection, use or disclosure of personal information for these purposes. Therefore, by maintaining your account with RFS, you have consented to our collecting, using and disclosing your personal information in the limited manner described above.

### **Security**

Because we are committed to your privacy and security, we have put in place physical, electronic, and managerial procedures to attempt to safeguard and help prevent unauthorized access, maintain data security, and correctly use the information we collect online and



through more direct contact. However, please remember that no transmission of data over the internet or any wireless network can be guaranteed to be 100% secure. As a result, while we strive to protect your personal information, we cannot ensure or warrant the security of any information that you transmit to or from us, and you do so at your own risk.

### **Access to Your Personal Information**

In the normal course of business, you will receive periodic access to information in the form of activity records, including account summaries and trade confirmations. This information is routinely available to you through mailings, emails or over the phone.

In the normal course of business, you will receive periodic access to information in the form of activity records, including account summaries and trade confirmations. This information is routinely available to you through mailings, emails or over the phone.

### **Your Dealing Representative's Outside Business Activities**

In representing RFS and providing recommendations to you for the purchase and sale of investments, your Dealing Representative is acting on behalf of RFS Solutions. However, your Dealing Representative may also be licensed or be engaged in activities that involve the sale of other products or services that are not the business of RFS and are not supervised by RFS. Should that be the case, your Dealing Representative will

communicate with you directly regarding any additional use or disclosure of your personal information associated with that activity.

### **Changes in Privacy Policy and Terms of Use**

By retaining our services, you consent to our collection and the use of your personal information as described in this Privacy Policy. If we change our Privacy Policy and procedures, we will post these changes on our website. You have the opportunity to review the Privacy Policy each time you use the website or to receive them in writing at any time upon request, so that you are aware of any modifications made to these policies.

### **Chief Compliance Officer & Privacy Officer**

In order to ensure compliance with this policy and applicable privacy legislation, RFS has appointed a Chief Compliance Officer and a Privacy Officer. If you have any questions regarding this policy or any compliance or privacy requests, please contact RFS's Chief Compliance Officer and Privacy Officer:

### **Victoria Kouzmichova, Chief Compliance Officer & Privacy Officer**

**P** 1 855.443.0340 ext. 103

**F** 780.443.2656

**E** vkouzmichova@raintreeFS.com

**A** 10243-178 Street, Edmonton, AB T5S 1M3

APPENDIX "B" TO RAINTREE FINANCIAL SOLUTIONS INC. RELATIONSHIP DISCLOSURE INFORMATION FORM

## **Important Information on Material Conflicts of Interest**

### **Purpose of this Disclosure**

It is important for you to be aware of existing and reasonably foreseeable material conflicts of interest that may affect your relationship with us and your Registered Representative in their capacity as a Raintree Financial Solutions (RFS) dealing representative.

This disclosure will help inform you about how we will address material conflicts of interest in your best interest as our client. Although RFS does not hold custodianship or authority over your investments with us, this disclosure applies to all of your transactional dealings through the firm, which are holistically referred to as your "account". This disclosure and our obligations described in this form are part of our regulatory obligations as an exempt market dealer and those of our Registered Representatives as registered dealing representatives of the firm.

It is important that you read this Important Information on Material Conflicts of Interest, together with the general discussion on conflicts of interest set out in the Relationship Disclosure Information Form and any other specific conflict disclosures and acknowledgments provided to you by the firm. This information is important to ensure you understand the nature and extent of existing and reasonably foreseeable material conflicts of interest, as well as their potential impact and risk to you. A copy of this disclosure information will also be available on your RFS investor portal.

*Please contact your Registered Representative or RFS' Compliance Department ([compliance@raintreeFS.com](mailto:compliance@raintreeFS.com)) with any questions about the disclosure contained in this document or how it may relate to your account and the services you receive from the firm and your Registered Representative.*

### **About Material Conflicts of Interest**

A material conflict of interest may arise in circumstances where:

- your interests as our client and those of the firm or our Registered Representative acting on your behalf, are inconsistent or divergent, resulting in a misalignment of objectives,
- the firm or our Registered Representatives could be consciously or unconsciously influenced to put their interests ahead of your interests as our client, or
- monetary or non-monetary benefits available to the firm or our Registered Representatives, or potential detrimental effects to us, could compromise the trust that a reasonable client has in us

and this may reasonably be expected to impact your decisions or the services, recommendations and advice received by you from RFS and our Registered Representatives.

### **Our Responsibility to Address Material Conflicts of Interest**

Through the implementation of policies, procedures and oversight, RFS seeks to identify material conflicts of interest that could reasonably be expected to impact our clients. We seek to address these material conflicts of interest in the best interest of our clients and, where a material conflict of interest cannot be addressed in our clients' best interests, the activity or circumstances giving rise to the conflict are avoided.

RFS' policies and procedures broadly define the concept of a material conflict of interest and have defined escalation processes for conflict handling in accordance with our standards of care. These processes include





disclosure where a reasonable client would want to be informed of the existence of a material conflict of interest, including through this Information on Material Conflicts of Interest Disclosure. Dedicated resources within the RFS compliance department and across the organization have been assigned to administer these processes under the authority of RFS' Chief Compliance Officer.

### **Disclosure of and Information About How We Address Certain Existing Material Conflicts of Interest**

RFS is registered as an exempt market dealer in certain jurisdictions in Canada and operates as a commercial business. As with other financial services firms, one of our objectives is to provide value to our shareholders while striving to deliver fair, honest and good faith services to our clients. As a result, there are inherent situations and circumstances that may give rise to a material conflict of interest between you and us that you should be aware of, together with how we seek to address those material conflicts in your best interest.

### **Organizational Structure and Governance**

Certain RFS departments, teams and business units are tasked with specific activities that may promote and reward the profitability of the firm without direct consideration for meeting the investment needs, objectives and goals of a specific client.

This is addressed in the best interest of our clients through policies and procedures that limit the client-facing activities of certain business units and prescribe oversight checks and balances through approval gating functions and decision-making independence. Chief among these policies are responsibilities on your Registered Representative to complete (unless waived by you in accordance with applicable regulation) certain know-your-client (KYC), know-your-product (KYP) and suitability assessments before recommending or accepting instructions to purchase a security through the firm. In addition, the RFS Chief Compliance Officer and compliance department are not compensated directly in reference to firm profitability or sales volume and are given substantive oversight over the regulated activities of the firm.

### **Relationships among the Raintree Companies**

As a wholly owned subsidiary of Raintree Capital Inc. (RCI), RFS is a member of the Raintree group of related companies (Raintree Companies). In addition to RFS, the Raintree Companies include Raintree Corporate Finance Inc. (RCF), Raintree Wealth Management Inc. (RWM) and Raintree Insurance Services Inc. (RIS). Unless prohibited by applicable law or regulation, certain directors and officers of Raintree Companies may also be directors and officers of other Raintree Companies. Each of RFS, RCI, RCF, RWM and RIS are separate and distinct corporate entities, with independent compliance systems and certain information barriers. Services provided by RFS and our Registered Representatives to clients are not provided by RCI, RCF, RWM or RIS unless expressly stated. RFS has adopted certain policies and procedures to address this, including policies on clear entity engagement, confidential information and access to the Chief Compliance Officer of material information relating to the regulatory compliance obligations of RFS.

#### *a. Relationships with RCF*

RCF may from time to time provide advisory or consulting services to issuers of a security distributed by RFS and our Registered Representatives to our clients. RCF engagements may include compensation arrangements in reference to or furtherance of the securities dealing activities of RFS either alone or in connection with one or more other dealers. This creates a potential material conflict of interest that RFS will prioritize the distribution of securities that may maximize the compensation earned by RCF. To address this conflict of interest in the interest of our clients, Registered Representatives are not compensated in any way from the earnings of RCF and are provided no incentive to distribute securities for issuers that have received advisory or consulting services from RCF.

In addition, the approval for distribution on the RFS product shelf by an issuer that has received advisory or consulting services from RCF is subject to the same independent product approval processes at RFS as any other issuer whose securities are distributed by RFS. Any RCF personnel that also provide services to RFS, with the exception of directors and officers of Raintree Companies, are prohibited from making product listing approval decisions at RFS for an investment that they stand to directly benefit from on a monetary or non-monetary basis through RCF activities. Investment



product compensation and conflicts of interest as a result of RCF compensation are overseen by the firm's compliance department after RFS product listing approval and being made available for sale by Registered Representatives on the product shelf.

#### *b. Relationships with RWM*

As a registered investment fund manager, RWM may be engaged to act as the investment fund manager of an issuer whose securities are distributed by RFS. When this occurs, we consider the issuer to be a related or connected issuer of the firm and will disclose it to our clients. Additional disclosure information relating to the compensation arrangements between a related and connected issuer and RWM acting as investment fund manager will be disclosed to RFS clients prior to accepting any instructions to purchase a security of the issuer.

Registered Representatives of RFS may refer clients to RWM to receive services from RWM as a discretionary account portfolio manager. All referrals to RWM are subject to RFS' policies and procedures on referrals including advance disclosure of the fees payable to RFS. In circumstances where RWM is referred a client from a Registered Representative, RCI as parent corporation may financially benefit from the fees and charges received by RWM as well as the referral fee paid to RFS. This results in a potential material conflict of interest where RFS could prioritize referrals to RWM over similar portfolio manager service providers. To address this conflict of interest, RFS permits Registered Representatives to refer to third party portfolio managers not part of the Raintree Companies. RFS has adopted portfolio manager referral compensation policies to reasonably normalize the referral compensation paid to Registered Representatives including by RWM where similar and like services are provided to referred clients of RFS. RFS' Registered Representative compensation structures are autonomous and do not incent or promote cross-selling between Raintree Companies.

#### *c. Relationships with RIS*

Registered Representatives of RFS may refer clients to RIS to receive services from licensed life, accident & sickness insurance agents affiliated with RIS. In addition, your Registered Representative may conduct outside business activities as an insurance agent affiliated with RIS (see "Other Business Activities (OBA) of your Registered Representative", below). All referrals to RIS are subject to RFS' policies and procedures on

referrals including advance disclosure of the fees payable to RFS. In circumstances where RIS is referred a client from a Registered Representative, RCI as parent corporation may financially benefit from the fees and charges received by RIS. This results in a potential material conflict of interest where RFS could prioritize referrals to RIS over similar insurance service providers. To address this conflict of interest, RFS allows for Registered Representatives to refer to third party insurance service providers not part of the Raintree Companies. RFS policies expressly require that engaging with your representative in their capacity as a Registered Representative does not obligate you to purchase any insurance services through them or RIS. RFS' Registered Representative compensation structures are autonomous and do not incent or promote cross-selling between Raintree Companies.

### **Investment Shelf Selection Process**

When approving investment offerings for distribution through the RFS product shelf, RFS or RCF (see "Relationships among the Raintree Companies", above) may be compensated for performing certain services, including due diligence, strategic guidance, wholesaling and investment review. Where corporate finance service compensation is paid to RFS or RCF prior to the distribution of securities to our clients, there may be non-monetary reputational incentives at the firm to promote the offering to our clients. RFS policies and procedures have been created to address this risk through review and approval policies and through policies relating to compensation amounts. Registered Representatives are not compensated from any monetary benefits generated through RFS or RCF as due diligence and investment review fees.

### **Compensation Models**

RFS and Registered Representatives earn compensation through the distribution of securities to our clients, typically through payments received directly from the issuer or manager of the securities. This creates a potential conflict of interest where Registered Representatives may be incented to recommend that their clients invest more money through RFS or otherwise seek to generate as much client business as possible. This is principally managed through policies and compliance with requisite KYC, KYP and suitability processes, as overseen by the RFS compliance department. Compensation models are reviewed by the firm and established in accordance with established



procedures. When purchasing a security, disclosure is provided in advance to clients with respect to RFS' compensation calculation methods. Registered Representative compensation is paid from these fees earned by RFS in reference to a normalized product compensation model to minimize bias or incentive to recommend securities that may not meet our clients' objectives. In addition, compensation to Registered Representatives is established periodically after evaluation by the firm of certain non-sales metrics including demonstrated compliance with the firm's policies and procedures.

Specific investment compensation arrangements could influence a Registered Representative to act in various self-interested ways such as recommending a product that will result in greater compensation being received by the Registered Representative when compared to an equivalent or better investment of similar characteristic and type and that may better meet their client's investment needs and objectives. This potential conflict of interest is addressed through KYC, KYP and suitability processes together with compliance oversight and product compensation normalization policies at RFS.

The specific investment decisions of a client may influence the total compensation paid to RFS and by extension their Registered Representative. This may include compensation models for different offerings of the same issuer based on the existence of up-front, ongoing (trailing), and carried interests or broker warrant compensation. In addition, participation in dividend reinvestment plans by the client may increase total compensation payable to RFS and the Registered Representative when contrasted with cash distribution elections. The compensation earned by RFS for the distribution of an investment will be disclosed to clients prior to accepting instructions to purchase a security, including through the related offering documents.

Certain issuers may offer securities that permit redemption by investors but are subject to associated redemption penalties or deferred sales charges intended to recover commissions or fees paid to RFS and Registered Representatives. These redemption penalties or deferred sales charges will impact your investment return if you redeem. Redemption penalties are disclosed in the offering documents.

### **Gifts, Entertainment and Sponsorship**

Gifts, entertainment and sponsorship from issuers and entities affiliated with an issuer of securities distributed

by RFS could influence the services provided by the firm or a Registered Representative to their client or otherwise compromise their independence and judgment. RFS manages this potential conflict of interest through a gift, entertainment and sponsorship policy.

From time to time, certain managers or issuers may sponsor corporate events put on by RFS or other Raintree Companies attended by clients, staff and Registered Representatives. The pursuit of sponsorship could influence the independence of RFS' selection or promotion of certain products. To address this potential conflict of interest, sponsorship proceeds are not paid to Registered Representatives and RFS has established policies and procedures relating to sponsorship including through product listing approval processes and prohibitions on promoting sponsoring issuers over non-sponsoring issuers or otherwise prioritizing distribution of their securities to RFS clients.

### **Restrictions on Lending to Clients**

RFS and its Registered Representatives are generally prohibited from lending to clients, with the exception of registered representatives, directors, officers, employees and significant shareholders of the Raintree Companies. Registered Representatives may lend to a client that is a related person as defined in the *Income Tax Act* (Canada) if the approval of RFS' compliance department has been obtained.

### **Restrictions on Borrowing from Clients**

Registered Representatives are prohibited from borrowing or accepting the guarantee of indebtedness from their clients unless the client is a related person as defined in the *Income Tax Act* (Canada) and the approval of RFS' compliance department has been obtained.

### **Disclosure of and Information About How We Address Other Material Conflicts of Interest That May Arise**

RFS, as a registered exempt market dealer, and our Registered Representatives as independent registered dealing representatives sponsored by the firm, may from time-to-time encounter circumstances or arrangements that give rise to a material conflict of interest not otherwise discussed above. In the event of a material



conflict of interest of this nature, the following disclosure provides important information on how we seek to address those potential material conflicts in your best interest. These potential material conflicts of interest will not exist in all cases, however in the event that they arise, will be identified to you by your Registered Representative in accordance with the firm's policies and procedures on material conflict disclosure.

### **Other Business Activities (OBA) of your Registered Representative**

Your Registered Representative may engage in business and other activities (OBAs) not related to RFS or provided through RFS. OBAs include business activities through RWM and RIS. Depending on the nature of the OBA, these positions may give rise to potential conflicts of interest including potential confusion as to the nature, scope and entity providing services, undue influence or trust in the Registered Representative's Services, and financial control and privacy concerns.

RFS has dedicated policies and procedures relating to the identification, analysis, control and disclosure of OBAs based on their nature and scope. All applicable OBAs regardless of type are required to be disclosed by Registered Representatives to RFS in accordance with applicable securities regulations. The following, non-exhaustive, Registered Representative OBA scenarios have dedicated policies and procedures to address conflicts of interest in the best interest of our clients:

#### *a. General Client-Facing OBA*

To mitigate the potential for client confusion when a Registered Representative has an OBA where they may be reasonably expected to interact directly with an RFS client in an industry or setting substantially similar to the services provided by Raintree Companies, disclosure of the existence of the OBA to all clients of the Registered Representative is required at the earlier of the onset of the relationship between the client and the Registered Representative as a dealing representative of RFS or the Registered Representative commencing activities under the OBA with the client.

#### *b. Financial Planner, Coach or Mentor OBA*

Certain Registered Representatives provide financial planning, financial coaching, and financial mentorship services to their clients under an approved OBA. This

activity is separate and apart from any services provided to the client in the Registered Representative's role as a dealing representative of RFS. To mitigate the risk of confusion and the ensure clear understanding of the expectations around scope of service and supervision by RFS, the existence of financial planning, coaching and mentorship OBAs are disclosed to all clients of the Registered Representative. RFS policies and procedures prohibit the withholding of services from either the OBA or RFS to a client to force clients to retain one or both services from the Registered Representative.

#### *c. Insurance Agent or Broker OBA*

Certain Registered Representatives provide insurance sales and brokerage services to their clients under an approved OBA. This activity is separate and apart from any services provided to the client in the Registered Representative's role as a dealing representative of RFS. To mitigate the risk of confusion and the ensure clear understanding of the expectations around scope of service and supervision by RFS, the existence of insurance agent or broker OBAs are disclosed to all clients of the Registered Representative. RFS policies and procedures prohibit the withholding of services from either the OBA or RFS to a client to force clients to retain one or both services from the Registered Representative.

#### *d. Outside Positions of Significant Influence or Authority*

Certain OBA activities of a Registered Representative may put the Registered Representative in a position of significant authority or influence over the financial affairs and decision-making independence of their clients. These include where a Registered Representative acts under a general power of attorney, or as an executor or trustee of the client. These positions of significant influence or authority disproportionately increase the trust and reliance placed on the Registered Representative by the client and erode the ability for the client and Registered Representative to maintain adequate independence and impartiality when making recommendations and investment decisions respectively. RFS policies and procedures prohibit Registered Representatives from acting in these capacities with clients except for limited circumstances where the client is a related person as defined in the *Income Tax Act* (Canada) or no further investment actions will be taken.





#### *e. Outside Positions of Potential Influence or Authority*

Certain activities conducted by a Registered Representative under an OBA may create potential risk of a material conflict of interest arising between them and their clients based on the nature and potential influence of a relationship created through the OBA. These include OBAs where direct influential spiritual and life advisory relationships exist between the Registered Representative and the client, where vulnerable person counselling or mentorship exists or professional relationships such as accounting and bookkeeping that provide high degrees of access to the client's financial affairs. These positions of potential influence or authority may disproportionately increase the trust and reliance placed on the Registered Representative by the client and erode the ability for the client and Registered Representative to maintain adequate independence and impartiality when making recommendations and investment decisions respectively. Depending on the nature of the OBA and the degree of reasonably expected trust placed in the Registered Representative outside of the normal dealer-client relationship, RFS policies and procedures may prohibit or limit the scope of Registered Representatives acting in these capacities with certain clients except for limited circumstances where the client is a related person as defined in the *Income Tax Act* (Canada).

#### *f. Compensatory OBA Conflict*

Certain activities conducted by a Registered Representative under an OBA may create inherent risk of a material conflict of interest arising between them and their clients on the basis of compensation. Examples may include mortgage broker or real estate broker activities where the services provided under the OBA could result in compensation paid to the Registered Representative through the OBA while simultaneously increasing the availability of capital for investment through the Registered Representative as a dealing representative of RFS. In these cases, the Registered Representative is prohibited from distributing securities through RFS to a client that has received services under the OBA within a prescribed period of time appropriate to the nature of the risk.

### **Personal Financial Dealings and Transactions with Clients by a Registered Representative**

Registered Representatives entering into direct material financial transactions with clients outside of the ordinary course of business raises inherent conflicts of interest.

This can be challenging given the nature of the relationship and trust between a client and their Registered Representative in their capacity as a registered dealing representative. Other than through approved OBAs, personal financial dealings between a Registered Representative and their clients is prohibited without the prior approval of RFS' compliance department. These potential material conflicts of interest are addressed under the firm's novel material conflict of interest process.

### **“Off-book” Trading**

RFS Registered Representatives are prohibited from selling the securities of issuers not approved for distribution on the RFS product shelf to their clients. This is required to ensure that the RFS policies and procedures established by RFS – including as they relate to material conflicts of interest – are in place.

### **Relationships between Registered Representative's and Issuers of Securities Distributed by RFS**

If a Registered Representative is related or connected to an issuer, or otherwise acts as an officer, director, employee, contractor or significant shareholder (< 10% of the voting securities) of an issuer whose securities are distributed on the RFS product shelf (other than a Related and Connected Issuer disclosed to the client or in the Registered Representative's capacity as a dealing representative with RFS), there is a potential conflict of interest with our clients that could arise on the basis of additional monetary or non-monetary compensation earned by the Registered Representative and not disclosed or controlled in accordance with RFS' existing policies and procedures. This could incent the Registered Representative to favour the securities of this issuer over a comparable or better investment for their client.

To address this potential conflict of interest, Registered Representatives are usually restricted by RFS policies from acting in this capacity with respect to an issuer where the above relationships between issuer and Registered Representative exist. In the event that a Registered Representative has one or more of the above relationships with an Issuer, they are prohibited from distributing the securities of the issuer to their clients. Any decision to purchase these securities must be handled by an RFS Registered Representative independent from the issuer.



### **Referral Fees for Referral to Other Investment Advisors**

Registered Representatives may refer their clients to third party investment service providers, including registered portfolio managers and dealers. The receipt of compensation for the referral of a client creates an inherent conflict of interest not dissimilar to the inherent conflict of interest with being compensated for distributing securities to a client through RFS. Typically, the service of a third party is being referred on the basis of allowing the client to receive services from another registered, accredited or licensed investment professional for products or services not provided by RFS. To address this potential conflict of interest, RFS has established policies and procedures for referrals related to compensation normalization among comparable referral service providers, as well as disclosures provided to the client before the referral recipient provides those services. Effective June 30,

2021, RFS prohibits the introduction of a client through the referral process to any third party service provider that will charge the client more for the services solely as a result of the referral process and without additional services being provided.

### **Novel Material Conflicts of Interest**

Potential material conflicts of interest may arise other than those set out in this and other disclosure provided to our clients. RFS has a defined identification and escalation process to help the firm recognize if and when these actual or potential material conflicts of interest arise. In addition, RFS' compliance department has defined policies relating to addressing these material conflicts of interest in the best interest of our clients, or avoiding them if they cannot be addressed in the best interest of our clients. Where a reasonable client would want to be notified of an actual or potential material conflict of interest, supplemental disclosure is provided to our clients.

APPENDIX "C" TO RAINTREE FINANCIAL SOLUTIONS INC. RELATIONSHIP DISCLOSURE INFORMATION FORM

**Additional Information on the Impact of Fees, Costs, and Expenses**

The investment industry, like most industries, have a variety of revenue, fee and compensation arrangements. Both RFS and the issuers and managers whose securities the firm distributes are for-profit enterprises. While we seek to have our objectives and those of the issuers and managers whose securities we distribute be primarily aligned with those of our clients - revenues, fees and costs attributable to your investment holdings or accounts may decrease the total return you receive. At RFS, this is mitigated through our obligations to deal fairly, honestly and good faith with our clients, to make suitability determinations after putting our clients' interests first, and to address all material conflicts of interest in the best interest of our clients. As part of that, it is important for investors to understand how these fees, costs, expenses and compensation arrangements are structured, how they impact your account and investment performance, and how they may impact the firm or our Registered Representatives when making recommendations to you. Please review the Important Information on Material Conflicts of Interest in Appendix B of the Relationship Disclosure Information form for more information on how RFS has enacted policies to mitigate material conflicts of interest that may arise in relation to compensation arrangements.

Information relating to our compensation arrangements will be provided to you before you transact in a security, and it is important to review the offering documents with your Registered Representative to ensure that you understand them. In addition, this Additional Information on the Impact of Fees, Costs and Expenses, is intended to assist you in understanding what those expenses might be and how they can impact your investments.

**Compensation Paid to RFS by Issuers or Managers**

The following is a description of the types of compensation paid to RFS when you purchase or hold a

security through the firm. Not all of these types of compensation arrangements will apply to each product distributed by the firm. Where applicable, compensation may be shared with your Registered Representative.

**Up-Front Commissions**

Up-front commissions are the primary form of compensation received by RFS when you purchase an exempt security through your Registered Representative. Up-front commissions are always disclosed in the offering documents of the issuance. Although it does not change your book cost position for the investment with the issuer, they are deducted from the proceeds of the offering after closing and paid to us by the issuer or manager. As such, the issuer will have less capital to use from the issuance of the 19 securities, and if you immediately sold the assets of the company, the company would have less capital than it raised through the closing, because all the costs of issuance, including the commission would be deducted. This is often referred to as the "J-Curve", because the company needs to repair the cost deficit before it can provide a positive return on invested capital to investors from its activities.

If the issuer allows redemptions, the issuer will often have redemption penalties associated to the original costs of capital issuance, so that the fund can amortize the cost of capital over a longer period of time. This redemption penalty will impact the amount of capital returned to you if you redeem. Redemption penalties are disclosed in the offering documents. Certain issuers may alter redemption penalties depending on the compensation attributable to the issuance, including for example by increasing the time-period or amount of a redemption penalty for up-front commissions when compared to deferred commissions or trailer fees (discussed below). In these cases, the compensation structure can have a direct impact on investment liquidity



and will be considered as part of the Registered Representative's suitability determination.

RFS will often categorize a part of the up-front commission as an "Administrative Fee" that is retained entirely by the firm for operations compared to commissions that are shared with your Registered Representative. Administrative fees may be embedded in the up-front commission disclosed in the offering document or may be represented separately. In all cases, the gross amount will be represented to the investor, so the total cost and impact can be assessed.

### **Deferred Commissions or "Trailers"**

On some investment products, RFS earns trailer fees, or deferred monthly, quarterly or annual commissions. These are disclosed and generally calculated as a percentage of the capital raised or the Net Asset Value of the investment and are paid for so long as you continue to hold the investment. These fees are an expense of the issuer and as such reduce the profits or available capital of the fund that would otherwise have been available for distribution to investors or retained to increase the market value of the issuer. Trailer fees bind the firm to heightened disclosure and reporting requirements.

Trailer fees can be impacted by your participation in a dividend-reinvestment plan (DRIP) and may be paid variably, depending on whether the trailer is calculated as against original subscription units or units of a DRIP.

### **Warrants, Carried Interests, Options and Performance Incentives**

Periodically RFS is provided the opportunity to participate in the returns of an investment alongside investors. This can be structured contractually or through the issuance of special securities of the issuers such as warrants, carried interests or options. What this means is that if the investment performs well, RFS and its Registered Representatives will earn conditional, additional compensation based on the terms of the performance incentive. If the performance of the investment does not meet the predetermined conditions, these fees generally go unearned. This compensation, if applicable, is disclosed in the offering documents. The impact of these types of compensation arrangements is that they will reduce the performance of the investment to investors if earned, as they come from the total pool of returnable capital in the investment. Notwithstanding

that, they may be perceived to better align the interests of investors, the firm and its Registered Representatives.

### **Events, Promotion and Marketing Expenses**

Issuers and managers may pay conference, event, or marketing fees to us in support of a distribution. Marketing of an offering is important to raise awareness and build distribution support for the issuer. These costs may or may not be paid for by the issuer. If not paid by the Issuer, they are likely being paid by the asset or investment manager. These expenses can reduce the available capital set aside to fund underlying investment activity or operations of the business. RFS seeks to keep these costs reasonable and these expenses are not intended to be a profit center for the organization.

### **Issuer and Manager Expenses Not Paid to RFS**

The following is a description of some of the types of compensation earned by an issuer's managers or promoters when you purchase or hold an investment with them. These amounts are not paid to RFS or your Registered Representative and are not dictated by or controlled by us. However, they can have an impact on your investment performance or return, so it is important to be familiar with them. This is not an exhaustive list, and you should review each issuance's offering documents in detail to understand the compensation arrangements in place within an issuer or manager group.

### **Management Fees**

Management fees and expenses may be charged to the issuer by a fund or asset manager, including affiliated companies within an issuer group, if the management of the issuer is conducted by a separate entity (whereas other issuers will have officers and personnel paid directly by the issuer). These fees are often charged as a percentage of capital raised or Net Asset Value and are most often 2% per annum or below. They are often charged and paid monthly or quarterly. These fees will generally be disclosed in the offering documents of the issuer. RFS seeks to assess the reasonableness of these fees as part of its due diligence procedures, however we do not control the actual fees charged to the issuer. As they are an expense of the issuer, management fee expenses will reduce the available capital to be returned to investors over the time, and





reduce the potential compounding effect of investment returns.

### **Acquisition, Disposition or Activity Fees**

Some managers of issuers earn fees for certain activities completed. This is often explained as their most costly, demanding, and time-consuming activity and as such special compensation is allocated to that activity. These fees will typically be disclosed in the offering documents. Certain managers may also charge other fees to the issuer for certain activities. An example of this is property management fees, which are sometime internalized, whereas other property managers are hired externally. As they are an expense of the issuer, these fees reduce the available capital to be returned to investors.

### **Performance Fees and Carried Interests**

Some Issuers have incentive plans for their managers. In the case that a manager is an entity separate from the issuer, this compensation may take the form of performance fees or carried interests. Carried interests allocate a certain percentage of the issuer's profits or performance to the managers, incentivizing the overall success of their management. This is meant to align the interests of management and the investor but are an expense of the issuer that can reduce the available capital to be returned to investors. These are typically disclosed in the offering documents.

### **Carry Units**

Carry Units may be issued to the manager at the time of issuance and are meant to align the interests of management and investors. Unlike the performance fees or carried interest, they generally vest immediately upon issuance, add may accrete value whether the performance of the Issuer is positive or negative. Carry units are more typical of open-end fund structures, as calculating, accounting for and granting performance fees or carried interests are mechanically much more difficult and burdensome. Carry units can be dilutive to and decrease the proportionate amount of available capital to be returned to investors.

### **Other Issuer Expenses**

Expenses relating to the operations of the issuer fund as well as any external investment or asset manager may be paid for by the issuer. These may include administrative costs such as professional fees, office, accounting, IT, or other expenses related to executing its duties to the fund. Disclosures of these arrangements

are not completely harmonized, and are generally set out in management agreements or constating documents and may not always be readily available in the issuer's offering documents.

### **Compensation Earned by Affiliates of RFS**

In some cases, affiliated companies of RFS may have financial arrangements with issuers. This is discussed in greater detail in the Important Information on Material Conflicts of Interest set out in Appendix B of the Relationship Disclosure Form.

### **Non-Dealing Advisory or Due Diligence Fees**

An affiliate company to RFS, Raintree Corporate Finance Inc. (RCF), may offer its services to issuers to advise on structure, business plans, capital markets plans, elements of an offering, governance, management and other matters that may affect the success of an offering. Concurrently, RCF will review material agreements, financial projects, past track record, management searches, offering documents, marketing materials, and other activities that would generally be described as due diligence. The due diligence activities and results are furnished to RFS to meet its obligations for Know Your Product (KYP). These fees may be treated as professional expenses of the issuer, as described above under the heading Issuer and Manager Expenses Not Paid to RFS. These fees may also be calculated as a lead fee for the promotion of the offering to other distributor market participants (such as other dealers, portfolio managers and registrants) and be payable in relation to the capital raised by those entities.

### **Wholesaling Fees**

Certain issuers may retain RCF to provide services in support of marketing the offering and to provide wholesaling or investor relations assistance to communicate and market the offering effectively. The focus of this service is to build awareness of the offering and encourage third party registrants to promote it to their clients. This important activity seeks to grow the distribution of the offering. Some issuers internalize this activity and others outsource it to parties such as RCF, making it an expense of the issuer as described above under the heading Issuer and Manager Expenses Not Paid to RFS.



### **Third Party Custodian or Financial Institution Fees**

As described in the Relationship Disclosure Form, you may elect to hold your investments in a self-directed Cash, RRSPs, RRIFs, RESPs, TFSAs, LIRAs, LLIFs, LRSPs or Locked-In-Plan account with a third party custodian or financial institution. If you have opted to hold your investment in a self-directed account with a third party custodian or financial institution, they may charge monthly, quarterly or annual fees for each account. There are also fees for certain services including purchases, transfers in and out, redemptions and estate settlements. These fees are subject to GST or HST and will vary according to the province or territory

you reside in. Please refer to your agreement for precise details. An independently arranged relationship with a custodian or financial institution should be completed prior to investing with us so that you can include these fees in your decision whether or not to invest. If you are purchasing an investment before finalizing the details of your registered plan, please discuss the costs in full with your Registered Representative who may be able to assist you in determining a range of available services and fees.

### **Acknowledgment of Relationship Disclosure Information**

BY SIGNING BELOW, YOU ARE ACKNOWLEDGING THAT YOU HAVE BEEN PROVIDED THE RAINTREE FINANCIAL SOLUTIONS RELATIONSHIP DISCLOSURE INFORMATION FORM, TOGETHER WITH APPENDIX A - PRIVACY POLICY, APPENDIX B - IMPORTANT INFORMATION ON MATERIAL CONFLICTS OF INTEREST AND APPENDIX C - ADDITIONAL INFORMATION ON THE IMPACT OF FEES, COSTS, AND EXPENSES.

YOU ACNOWLEDGE THAT YOU HAVE REVIEWED THESE DOCUMENTS IN THEIR ENTIRETY, RETAINED A COPY FOR YOUR RECORDS AND CONFIRM THAT YOU UNDERSTAND THE INFORMATION CONTAINED THEREIN, RECOGNIZING THAT RAINTREE FINANCIAL SOLUTIONS INC. AND YOUR REGISTERED REPRESENTATIVE ARE RELYING ON THIS ACKNOWLEDGEMENT IN PROVIDING SERVICES TO YOU.

Signed and acknowledged this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_:

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Print name*

### **Consent to Receive Mandatory Information by Electronic Means**

Unless you expressly instruct Raintree Financial Solutions in writing to the contrary, you agree to receive all client account statements required by law to be sent to you at the electronic mailing address on record with us from time to time, or by posting on any electronic portal dedicated to you as a Raintree Financial Solutions' client, including without limitation the client portal administered by Exempt Edge Inc.

### **Optional Consent to Receive Additional Electronic Communications from the Raintree Group**

To ensure you continue to receive emails from Raintree Financial Solutions' head office that contain newsletters, articles, product updates, promotions and industry news, we ask you to consent to future electronic communications. Please note that certain information which we are required or permitted by law to send to you may be sent regardless of whether or not you have provided your consent.

☐ I consent to receive emails from Raintree Financial Solutions' head office that contain newsletters, articles, product updates, promotions and industry news.

\_\_\_\_\_  
Email Address