



# CLIENT RELATIONSHIP DISCLOSURE DOCUMENT

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## Table of Contents

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Introduction.....	2
Introducing Broker / Carrying Broker .....	2
Related Parties Definitions .....	2
Watt Carmichael Inc. Schedule of Fees .....	2
Trading Policies.....	3
Leverage Risk Disclosure Statement.....	3
Agent for Service .....	3
Conflicts of Interest .....	3
Client Privacy Agreement .....	4
Trusted Contact Person and Temporary Holds – applicable to individuals only.....	5
Client Information and Service Offerings .....	6
The Fees You Will be Charged and How They Are Calculated.....	7
Assessing the Suitability of an Investment.....	8
Dealing with Potential Conflicts of Interest.....	9
Reporting to Our Clients .....	9
Other Helpful Information.....	10
Canadian Investor Protection Fund .....	11

## Introduction

The information contained within this Client Relationship Disclosure Document is to provide you with information on our policies pertaining to the administration of your account and to satisfy securities regulations. To reduce the number of disclosures sent to you separately, we have pooled our disclosure documents, including our Schedule of Fees and related party disclosure into this one document for your convenience.

The information contained within this Client Relationship Disclosure Document must be read in conjunction with the New Client Application Form and Managed Account Agreement (if applicable) you completed when opening an account with Watt Carmichael Inc. ("WCI") and any other documentation provided to you by our Carrying Broker, National Bank Independent Network ("NBIN").

All aspects of the agreements and disclosures apply to your account and are effective as of the date of the first transaction in your account.

## Introducing Broker / Carrying Broker

Watt Carmichael Inc. is an Introducing Broker and National Bank Independent Network ("NBIN") is a Carrying Broker.

With respect to any transaction's clients may enter, NBIN will be responsible for trade execution and settlement, custody of cash and securities, the preparation of confirms, account statements and the financing of client account positions.

WCI will be responsible for determining the suitability of your investments and ensuring that appropriate supervision is performed for all trading activity in your account(s).

## Related Parties Definitions

**"Related Party"** A party is related to WCI if, through the ownership of or direction or control over voting securities or otherwise, WCI exercises a controlling influence over that party or that party exercises a controlling influence over WCI.

**"Associated Party"** An associated party is either a related party or another party in a close relationship with WCI, such as one of WCI's partners, salespeople, directors, or officers.

**"Connected Party"** A party is connected to WCI if, due to indebtedness or certain other relationships, a prospective purchaser of securities of the connected party might question WCI's independence from that party.

## Disclosure of Related Parties and Executive Positions

In the spirit of full, true, and plain disclosure, WCI is an introducing broker to NBIN and the parent company and 100% sole owner of Watt Carmichael Private Counsel Inc. ("WCPC"), a Portfolio Management firm registered with the Ontario Securities Commission ("OSC") and Watt Carmichael Asset Management

Inc., a non-registered private company. Each registered company is a separate entity, with separate policies in place to address conflicts of interests which may arise. The following is a summary of the senior executive positions held in each of these companies:

### Watt Carmichael Inc.

Harry J. Carmichael - Chairman  
Harry Carmichael Jr – Chief Executive Officer & Director  
Mark Devine - President & Director  
Stafford Higgins - Vice-President & Director  
Jeff Leisk - Director  
Anderson Mendonca - Chief Compliance Officer & Chief Operating Officer  
Cindy Phillips - Chief Financial Officer

### Watt Carmichael Private Counsel Inc.

Harry J. Carmichael - Non-Advising Officer, Director  
Stafford Higgins - Non-Advising Officer & Director  
Anderson Mendonca - Chief Compliance Officer

### Watt Carmichael Asset Management Inc.

Harry J. Carmichael - President & Director  
Stafford Higgins - Vice President & Director

## Watt Carmichael Inc. Schedule of Fees

### REGISTERED PLAN ANNUAL ADMINISTRATION FEES

The administration fee for your registered plan(s) is billed annually, and the Trustee for your Registered Plan(s) is the Natcan Trust Company.

Registered Savings Plans (incl. RRSP, Spousal RRSP, USD RRSP, LIRA) **USD RRSP is charged in US funds	\$ 125
Registered Income Funds (incl. RRIF, Spousal RRIF, LIF)	125

**After the first account fee of \$125, additional Registered and Income Savings accounts listed above, with the same client SIN, will be charged a fee of \$50 per account.**

Registered Education Savings Plans (RESP)	\$ 75
Tax-Free Savings Account (TFSA) **USD TFSA is charged in US funds	50
Registered Disability Savings Plans (RDSP)	50
First Home Savings Account (FHSA)	100

### REGISTERED PLANS FEES

Partial Plan Transfer	\$ 75
Full Plan Transfer	150
Partial Plan Deregistration	50
Full Plan Deregistration (incl. Estates)	75
Swap Fee (per security)	25
Unscheduled RRIF Withdrawal	25
Shares held in Canadian Controlled Private Corporation	250

## OTHER SERVICE CHARGES

Partial Account Transfer-out	\$ 75
Full Account Transfer-out	150
Certificate Registration (per cert.)*	150
Certificate Registration (per US cert.)*	150
Rush Certificate Registration (per cert.)*	300
Rush Certificate Registration (per US cert.)*	300
Wire Transfer Domestic	25
Wire Transfer International	50
Certified Cheque	15
Cheque – Not Sufficient Funds	50
Cheque Stop Payment	25
Bank Wire-in Fee	10
DAP Charge (per transaction)	50
Ineligible Mutual Fund (per month)	10
Drip Enrolment (initial fee)	10
*Not including third party charges	

## MISCELLANEOUS CHARGES

Any miscellaneous fee for services provided by other financial institutions will be charged through at cost.  
Details are available upon request.

Annual administration fee for inactive accounts	\$ 500
Estate Administration Fee	500

**ALL FEES ARE SUBJECT TO GST/HST AND PST WHERE APPLICABLE.**

For further information, please contact your Advisor.

## Trading Policies

WCI has policies and procedures in place to support client investment objectives and to adhere to the fair-trading practices inherent in capital markets. Trade allocation is determined based on fairness, reasonability, and suitability. Your investment objectives and risk tolerance are also important factors in trade allocation.

## Leverage Risk Disclosure Statement

Using borrowed money to finance the purchase of securities involves a greater risk than using cash resources only. If you borrow money to purchase securities your responsibility to repay the loan and pay interest as required by the terms of the loan remains the same even if the value of the securities purchased declines.

## Agent for Service

Although WCI is registered in other provinces, we do not have a physical presence in those provinces. WCI is registered in and has obtained the services of the following law firms as agents for service:

Alberta – Norton Rose Fulbright Canada LLP  
British Columbia – Boughton Law Corporation

## Conflicts of Interest

WCI is a private introducing broker registered with the Canadian Investment Regulatory Organization (“CIRO”) and member of the Canadian Investors Protection Fund (“CIPF”). WCI’s primary business is providing investment advice to both managed (discretionary) and non-discretionary retail accounts.

WCPC is a wholly owned subsidiary of WCI. WCPC’s primary business is to operate as an Investment Counsel Portfolio Management firm, registered with the Ontario Securities Commission (“OSC”).

**Both entities share the same office space located at 365 Bay Street, Suite 1200, Toronto Ontario, M5H2V1**

In the interest of ensuring our clients clearly understand who they are conducting business with, it is of the utmost importance to WCI and WCPC, to have clearly defined and separate business structures. The following are some of the solutions we have put in place to address these issues:

- Clear signage upon entering the premises indicating both companies;
- Separate phone numbers installed, answered by a shared receptionist with an appropriate greeting for each company;
- Stationery, and electronic communications which reflect each company;
- When an administrative assistant provides service to both companies, they will be trained to ensure confidentiality between companies, and to ensure proper conduct with respect to separation of duties between companies;
- Policies and Procedures for both companies to be read and acknowledged in writing by each employee;
- A copy of this disclosure document, to be provided to all new clients of WCI and WCPC advising them of the arrangement with WCPC clients also receiving a client specific Investment Policy Statement;
- If an Advisor of WCPC refers clients to WCI to open an account to facilitate securities transactions, the account(s) will be assigned a unique account number and registered representative code in the IBM account management system, which is considered the official books and records of WCI and WCPC; and
- At the time of opening an account with WCI or WCPC, all clients will be required to acknowledge the disclosure of related parties in writing.

The Directors, Officers, and employees of both WCPC and WCI are held to the highest standard of fairness in carrying out their respective duties. Each will:

- Act with integrity, dignity and in an ethical manner in dealing with clients of the firm;
- Deal fairly in the allocation of investment opportunities among clients of the firm;

- Give priority to transactions for clients over personal transactions so that personal transactions do not adversely affect the clients' interests;
- Inform clients of any material conflict of interest that might impair his or her ability to render unbiased and objective advice with respect to investment objectives;
- At all times, have a reasonable and adequate basis for recommendations made to clients supported by appropriate research and investigation; and
- Exercise diligence and thoroughness in making any investment recommendations to clients and taking investment action for them.

Any Directors, Officers or employees who are registered and employed by both WCI and WCPC, will apply the following:

- Act in their respective capacity for each firm, and carry out their duties in an unbiased, ethical, and fair manner;
- Respect the privacy of each firm's clients, and unless referred to deal with both, not share client information between firms;
- Ensure common transactions of clients of both firms will be dealt with fairly and in the best interest of all clients respecting trading rules; and
- Deal with issues that are not easily resolved or conflicting, at the Board level, to ensure a fair and ethical resolution can be reached which best suits the clients involved.

In the interest of full disclosure, there are costs associated with providing you with investment services and transacting on your behalf. These include commissions with minimum rates and/or management fees, if applicable. Equity and mutual fund trades also attract transaction fees and/or switch fees in the case of mutual funds.

With respect to mutual funds, the fund company which manages your fund holdings may also charge a Management Expense Ratio (MER) to administer the fund. This information will be disclosed in the Fund Facts document you received prior to purchase. The MER is deducted from the fund directly. WCI and/or its representatives may also receive trailer fees from mutual fund companies, which may or may not be in addition to any other fees or commissions you are charged. Fixed income products also require a fee to execute transactions on your behalf.

All other fees are outlined in our Schedule of Fees.

## **Client Privacy Agreement**

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### **OUR PRIVACY POLICY**

WCI's privacy policies are in place to ensure the protection of your privacy and the confidentiality of your personal information. This policy applies to WCI's individual clients, including persons who carry on business alone or in partnership with other individuals.

### **COLLECTING INFORMATION**

When we collect information from you, we will explain what information we collect and how we intend to use it. This explanation is set out in the WCI Privacy Agreement.

### **RELEASING INFORMATION**

We will provide your information to other parties where:

- We have your consent;
- The other parties are our suppliers or business partners who provide service to your account;
- We are required or permitted to do so by law; and
- Transfers of business are involved (WCI providing your information to NBIN, our carrying broker).

### **PROTECTING YOUR INFORMATION**

We will retain your information for as long as it is necessary to service your account or as is required by industry regulations. Although we take great steps to eliminate information no longer needed, electronic records which are in the control of third parties or are part of a larger collection of information may prohibit destruction until a later date.

### **PROVIDING ACCESS**

We will provide you with access to your information upon your request. We will take reasonable steps to ensure that your personal information is accurate and up-to-date; however, it is your responsibility as our client to ensure that informational changes are forwarded to us for our records.

### **ADDRESSING YOUR CONCERNS**

We will address and respond to any of your concerns about our handling of your information.

### **WHY WE NEED YOUR INFORMATION**

We ask for a variety of information when you open an account with us. Securities industry regulations demand that we obtain a minimum amount of information about you so that we can provide the proper level of service and supervision to your account. Furthermore, industry standards demand that we know your financial information to help us identify products and services, which are suitable for you, such as the use of margin in an account. We may also base our recommendations about products and services to you on the information that you provide to us. For example, we may use your date of birth to identify you, or to determine your eligibility for products and services, which may be of benefit to a certain age group. We require your SIN in order to comply with certain Canada Revenue Agency's reporting requirements.

### **PRODUCTS AND SERVICES**

When you provide your consent, we will share your information with NBIN, our carrying broker. This will help us serve you better by identifying related products and services. If you are a WCI client and choose to have a financial plan created through your advisor please note that we will share your personal information with our Watt Carmichael Private Counsel subsidiary.

### **THIRD PARTIES**

With your consent, we may obtain information about you from third parties such as credit agencies. This information helps us assess your eligibility for certain products and services such as a margin account. Please remember that if you do not agree to



provide your consent for this, we may not be able to extend margin privileges to you. We may also, with your consent, provide your information to outside sources. For example, service providers who we hire, process your trades, and send your month-end statements to you. They will have access to certain account information including your name and address in order to perform their required functions. NBIN, our carrying broker, requires third party service providers to sign a Privacy Agreement to help ensure that they will protect the confidentiality of your information. We are also obliged to provide your information to regulatory bodies within the investment industry, and may also be required to disclose your information to government agencies or law enforcement agencies, or when we are in receipt of a valid court order or search warrant. We may also disclose your information to outside sources to help us collect a debt owed to us by you. As well, we may disclose your information as a result of a transfer of our business, should we decide in the future to sell off all or part of our business or to merge with another financial institution.

#### **PROTECTION OF INFORMATION**

We retain your information only as long as we need it to service your account, or as long as industry regulations demand. We provide training and educational resources to our employees, focusing on the importance for confidentiality when dealing with your information.

#### **ACCURACY OF INFORMATION**

Having accurate information about you will enable us to give you the best possible service. We expect that you will provide us with updated information when you move or change telephone numbers, or have any other material changes in your information. If you detect any errors in information (such as the information appearing on your copy of your application form), please let us know immediately.

#### **YOUR RIGHT TO WITHDRAW CONSENT**

When you sign the documentation required to open your account, you will see that within that documentation is our Privacy Agreement. By opening an account with us, you are providing your consent for us to collect, use and release your personal information. If at any time you wish to withdraw this consent, please advise us. However, please note that withdrawing consent may mean that we will be unable to provide certain services to you. We will explain the consequences of withdrawing consent, should you choose to do so.

#### **ONLINE/EMAIL SERVICES**

WCI, upon your request, will provide you with online access to your transactions and account holdings. In some cases, tax slip information and account statements can be emailed. Although we have taken steps to help maintain your privacy, including encryption of data and password protection, we ask that you use safe internet practices to further this objective. We also may track traffic flow and visits for statistical information. When you send us an email, we learn your exact email address as well as any other information you may have included in the email. While we may use your email address to reply to you, we do not make your

email address known to anyone outside our firm. We may use your email address to advise you about products or services that may be of interest to you if you have asked us to put you on an email distribution list. You may ask us to remove you from such a mailing list at anytime by providing us with a written request to do so. We may also send certain required information to you via email (such as Shareholder Communication information) if you have requested that we do so. Please keep in mind that information sent via email is generally unencrypted, so we remind you not to send us confidential information via email.

### **Trusted Contact Person and Temporary Holds – applicable to individuals only**

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You may provide us with the name of and contact information for a person whom you consider to be trustworthy and is familiar with your personal circumstances (the **Trusted Contact Person**).

You agree to notify us immediately of any change in the contact information of your Trusted Contact Person.

You may change your Trusted Contact Person at any time by contacting us and completing our Trusted Contact Person documentation.

You agree that we may disclose personal and confidential information about you and your account to your Trusted Contact Person when we have reasonable grounds to be concerned about your personal or financial well-being. This includes concerns about your mental capacity, concerns that you may be the victim of fraud, exploitation, or financial abuse, or if we need help locating you or your legal representative.

We have the option to contact the Trusted Contact Person, however we are not obligated to do so. If we contact the Trusted Contact Person, we will disclose personal and confidential information about you and your account only as we consider it necessary or helpful to secure assistance for you or to protect you from fraud, exploitation, or financial abuse regarding your account.

If the Trusted Contact Person is your legal representative, you shall provide a copy of any Power of Attorney or other appointment documentation in respect of your legal representative, to us and you undertake to provide us with a copy of any future Powers of Attorney or other documentation that revokes the one so provided.

We shall rely on the most recent Trusted Contact Person information in our files. We have no obligation to confirm this information, but will update the Trusted Contact Person information when you notify us.

In providing us with the name and contact information of your Trusted Contact Person, you are confirming that your Trusted Contact Person is aware that you will give us this information and the Trusted Contact Person has agreed to act in this capacity.

## Client Information and Service Offerings

To help promote a long-term relationship and to assist you in meeting your financial goals it is important you fully understand:

- Our service offerings;
- The fees you will pay to obtain those services; and
- What both parties should expect from each other.

A critical part of the process is the accuracy of the information you share with us when completing your New Client Application documentation. Securities regulators have recommended that we promote active client participation for a mutually successful relationship and regulatory guidance encourages us to ask you to provide and be involved as follows:

**Keep us up to date.** Clients should provide full and accurate information to the firm and the registered individuals acting for the firm. Clients should promptly inform the firm of any change to information that could reasonably result in a change to the types of investments appropriate for them, such as a change to their income, investment objectives, risk tolerance, time horizon or net worth (National Instrument 31-103, Part 13).

**Stay on top of your investments.** Clients should understand the potential risks and returns on their investments and regularly review their portfolio holdings and performance. They should also review all account documentation and sales literature provided by the firm. Where appropriate, clients should consult professionals, such as a lawyer or an accountant for legal or tax advice.

**Remain Informed.** You are encouraged to periodically review this document and to visit our website [www.wattcarmichael.com](http://www.wattcarmichael.com) for any amendments made to our policies. Should you need to change your KYC information, please contact your Advisor. To ensure that we are working from the same information, you will be provided with a copy of all applicable documents, including KYC information, you signed when opening your account or following an update.

### 1. The Services and Products We Offer

#### SERVICES

WCI provides three types of accounts (discussed further in the next section):

- Managed accounts
- Advised accounts
- Externally Managed or sub-Advisory accounts

WCI offers, for an additional charge, other services related to the main products and services you may use, including consulting services where price will be determined on an individual basis.

#### PRODUCTS

We offer the following investment products:

- Cash and cash equivalents
- Fixed income and debt securities

- Equities including warrants
- Investment funds such as mutual funds
- Alternative investments such as options, income trusts, exchanged traded funds, etc.
- External managed solutions of our subsidiary

Your Advisor can explain these investment products to you, as well as how they work, their risks and possible returns, and whether they are appropriate for you.

#### NEW SERVICES AND PRODUCTS

We will offer additional services and products as they are developed. You can find out about new offerings and whether they are appropriate for you by visiting our website or speaking with your Advisor.

### 2. The Account(s) You Have and How They Operate

Your Advisor will work with you to determine the most appropriate account(s) and best services for you. We will determine that any investment action we take, recommend, or decide on, for you is suitable for your investment portfolio and puts your interests first including when: Securities are received or delivered into your account by way of withdrawal or transfer and, WCI becomes aware of a change in a security in a client account that would make the portfolio unsuitable.

#### ☐ **Managed accounts**

These are also referred to as “non-advisory” or “discretionary accounts” where your Advisor independently exercises his or her authority (uses his or her discretion) to make investment decisions within the framework of your overall directions. Your Advisor will not make recommendations to you, nor are you expected to make decisions, as the Advisor invests on your behalf. Should you wish to place restrictions or limits on holdings, it must be evidenced on the Managed Account Agreement form. You are not precluded from speaking with your Advisor to determine security holdings, however if you choose a specific holding you may be asked to open a separate non-managed account in which to do so.

A management fee may be charged which will be clearly disclosed in your Managed Account Agreement form, as will any execution charges, commissions, or other set fees if applicable.

#### ☐ **Advisory (or advised/non-discretionary) accounts**

Your Advisor is responsible for providing suitable and unbiased investment recommendations to you that meet the standard of care expected of a trained investment professional based on the KYC information that you provide to us. You or an authorized individual of your choosing will direct all trading and are responsible for all investment decisions in your account(s).

To carry out your instructions, you will either be charged a commission per transaction, a set fee-based on the assets described in your fee-based account agreement or a combination of both, as agreed upon prior to trade execution.

## **☐ Accounts which are managed by an external Portfolio Manager of another registrant**

You may choose the services of an external Portfolio Manager which is a registered Advisor under the definitions set out in National Instrument 31-103, to which you have provided managed authority over your account. By providing said authority to your external Portfolio Manager, he/she will make discretionary investment decisions on your behalf based on the KYC information you have provided. In order to do so, he/she will provide instructions to the Advisor of your account at Watt Carmichael Inc. who will execute said transactions. In general, the suitability responsibility is that of your external manager as he/she has the relationship with you and has signed a suitability waiver. Depending on the underlying structure, any fees you incur will be outlined in your referral documentation.

## **The Fees You Will be Charged and How They Are Calculated**

All fees are disclosed as required by regulation and vary depending on the accounts and services you use. We offer you a choice of commission and fee-based accounts. We will recommend the structure that is appropriate for you, based on how you expect to use the account. Factors to consider include your personal preferences and whether you expect to buy and hold securities for a long period of time or if you intend to buy and sell securities more frequently. Some charges are fixed, a list of which are provided when you opened your account. Other service fees can vary depending on whether you have chosen a commission-based account or a fee-based model. In general, you should expect that the firm and your advisor's compensation is limited to the commissions or management fees that you have agreed to at account opening and the specific additional fees outlined in this document.

### **FEES AND CHARGES FOR MANAGED ACCOUNTS**

Managed account fees may be calculated using a set flat or tiered percentage of the assets in your account, and are detailed in your Managed Account Agreement form. Should your agreement also include commissions or execution charges, they would be charged at the time of trade execution.

### **FEES AND CHARGES FOR COMMISSION-BASED ACCOUNTS**

- **Transactional Fees**

Commissions charged may be variable, based on value and/or volume of transactions, or a flat dollar amount.

For equity securities transactions, an execution charge or commission will be charged and may be in the form of a flat charge or as a percentage of the value of the securities purchased or sold.

Mutual fund transaction charges, if applicable, are based on a percentage of the value of mutual fund purchases and can be charged up front (up to 2%). Transaction charges for switches

between funds within the same family may also apply and can be up to 2%.

For debt securities, a commission will be reported on a spread basis (the addition of commission to the base price of the bond). Therefore, fixed income purchases are reported on a "net to client" basis and the reported price includes a commission. The bond "yield to maturity" will be reported for all fixed income transactions.

- **Non-Transactional Fees**

In addition to execution charges on mutual funds and on an ongoing basis, the mutual fund manager charges a percentage fee to cover the management and administrative expenses, referred to as the management expense ratio (MER). The MER is disclosed in the Fund Facts document that was provided prior to purchase. From the MER, fund managers may pay our Advisor a fee (trailer fee) for ongoing services that we provide to you.

The trailer fee portion can be as much as 1.25% of the market value of your fund apportioned between our carrying broker, your Advisor and WCI. In dollar terms, if you purchase and hold a mutual fund valued at \$1,000 with a MER of 2.5% per annum, over the course of a year, \$25 will be deducted by the fund management company from the value of your mutual fund with the trailer fee portion of this amount being divided as follows for services provided:

- Our Carrying Broker for processing transactions and providing reports and tax slips to you;
- WCI for the cost of premises, computers, compliance, property taxes and so on; and
- Your Advisor for time spent researching investments, answering questions, and helping in the development and implementation of a plan focussed on achieving your goals, to name a few.

### **FEES AND COMMISSIONS FOR FEE-BASED ACCOUNTS**

We charge a fee that will be applied monthly or quarterly in accordance with your agreement and charged against your account. It is calculated as a percentage of assets, of which all assets are included in the valuation, as this is an advice fee. These fees will affect your net profit (if any) or increase your loss and will compound over time alongside your investment returns. A fixed execution charge may be charged at the time of transaction, to offset costs incurred by WCI in effecting transactions on your behalf. The fee and execution charges are disclosed in your Fee-Based Account Agreement. Please note that mutual funds will carry charges as described above. In managed and fee-based accounts, we try to choose funds with reduced or no trailer fees payable, however lack of availability and legacy positions may prevent us from doing so.

- **Other Fees and Charges**

You will pay fees for products or services you buy through us directly.



You also may be subject to other costs relating to services that you use that are not our service offerings. For example, there may be charges levied by third parties for services. There may be penalties related to the early withdrawal from certain instruments.

We may also charge other account operation fees, which can include account maintenance fees, fees for failing to maintain a minimum balance, account transfer fees, account inactivity fees, wire transfer fees, finder's fees, referral fees, third-party custodian fees, costs of account closing, SDRSP administration fees, attestations of assets; etc.

- **Schedule of Fees or Notice of Price Changes**

Our Schedule of Fees is reviewed annually with changes reflected in our annual disclosure. We will provide you with at least 60 days' written notice of any new fee or changes in charges.

**Note:** Due to the nature and variation of interest charged on accounts and commissions for executing trades, such items are excluded from our Schedule of Fees; however, you can request said information if needed.

## Assessing the Suitability of an Investment

With respect to managed accounts, a discussion with you about the suitability of your individual investments is not required as your account will be managed according to your KYC form. Ongoing suitability is provided as part of the managed account services which is detailed below.

For an advised account, before we provide you with recommendations as to which investments to purchase, or if you ask us to buy or sell a security, we will first assess whether that investment is suitable for you according to our understanding of the information you have given us when you completed the KYC form. This is why keeping your information up to date and accurate is very important. If we determine that the order you provided to us is not suitable for you, we will advise against proceeding with the order.

Below are the suitability factors that guide us in our decision as to an investment's suitability based on what we understand to be your current:

1. **Financial situation:** What financial assets (deposits, investments) and liabilities (debt, mortgage) you have and the amount and sources of your income. We will consider the size of any transaction compared to the overall value of your net financial assets (assets minus liabilities).
2. **Investment knowledge:** Whether you consider yourself or we understand you to be a novice at investing, have some knowledge or feel you understand some of the more complex financial products.
3. **Investment objectives:** Communicating to us your specific financial goals will help us determine how to balance your desire to protect your money, earn income, and increase your capital through growth in the market value of your account holdings.

4. **Time horizon:** When you expect to require your financial assets, for example, to buy a house, pay for education or enter retirement.
5. **Risk tolerance:** Whether, even if you have many years to earn and save, you feel comfortable with the possibility of losing money in some years.
6. **Investment portfolio composition and risk level:** How the purchase or sale of securities affect holdings in your overall account(s) in terms of allocation of holdings between debt, equity and other classes, and the risk associated with the assets held.

Our understanding of your profile is critical. Some of the above factors are relatively easily answered with a "yes" or "no" or a number, however, some are more complex, particularly your risk tolerance. The combinations of these factors make up your profile which will help us suggest the allocation of your holdings between:

- Registered (tax-advantaged) and non-registered accounts;
- Debt, equity, mutual fund and other instruments;
- Canadian and foreign investments;
- Whether to borrow to invest rather than paying in cash; and
- The risk associated with holding individual securities and the combination of securities in your portfolio.

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

### The Suitability Process

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

1. Based on discussion with you and your answers revealed through the KYC process, we will determine whether you are a risk-averse client, somewhat risk-tolerant or can accept higher losses in the search for higher gains.
2. We rate investments as low, medium, or high risk. For example, borrowing to invest in companies in developing countries is very high risk.
3. We consider other relevant factors, for example if you want predominantly socially responsible investments or at least to avoid investments in firms whose products include alcohol, tobacco, and guns. If you are risk-averse, but have a reasonable amount of financial assets and you want to invest a small amount of your overall account in a new issue of a start-up company run by someone whose business acumen you respect, we would advise you that while the specific investment is not suitable for you, it might be acceptable if you can "afford" to lose some money, possibly that entire investment. An investment that is small in proportion to the total portfolio may not be deemed unsuitable.

If (and when you place an order), what you would like to invest in is not consistent with what your profile suggests to us, we will advise against proceeding with the order and may ask for a letter confirming your understanding of the risk and that you want to

make an exception. With that said, we reserve all rights to reject a trade instruction to purchase a security and will inform you of the rejection.

If during the suitability determination we identify any concerns, we will discuss them with you and may be required to document our discussions. If we are strongly concerned, we may reject your purchase transaction or the transfer of your securities into our firm.

### Suitability Review Timing

When accepting your orders or recommending a security or strategy to you, we will review each within the context of the KYC suitability factors described above. We will also conduct a suitability determination when any or all the following occur:

- Securities are deposited or transferred to your account (s);
- The Advisor or portfolio manager responsible for the account changes; and
- There are material changes in your personal or financial circumstances or your objectives have changed.

To ensure that positions held in your account(s) are suitable for you as time passes, your Advisor will review the suitability of the investments in your account(s):

- Annually;
- When required due to the reasons described above; and
- During a periodic supervisory review of accounts and exceptions.

Given the long-term nature of investing for most clients, we do not automatically review the suitability of the investments in your account(s) when there are market fluctuations, even large fluctuations. Your Advisor can discuss with you the effect of market fluctuations on your portfolio.

## Dealing with Potential Conflicts of Interest

Actual, potential, and perceived conflicts of interest arise where an action or decision by someone has the effect of benefiting others at that person's expense. The nature of Watt Carmichael Inc.'s business is such that conflicts of interest are minimal. We do not have business lines that compete such as Corporate Finance or research, we do not deal in proprietary products and we do not incentivize or registrants to buy or sell specific securities. If we make a change to our business model that could introduce such a conflict of interest, we will thoroughly review said conflicts, attempt to eliminate them and if that is not possible communicate them to the affected clients promptly.

We have adopted policies and procedures to identify and address all remaining material conflicts in your best interests, including:

- conflicts where we, or our registrants, earn revenue related to your investments, in addition to the fees you pay us and,
- conflicts due to our representatives' personal interests.

For conflicts where we or our registrants earn revenue related to your investments. We and our registrants avoid buying and holding securities that pay embedded commissions in client accounts that pay management fees to prevent clients from paying twice for our service. In cases where it is not possible to avoid securities that have embedded commissions, we will exclude those securities from the fee calculation.

For conflicts due to our representatives' personal interests such as outside business activities, gifts and entertainment, personal trading is all prohibited unless approved by our compliance department after a review to determine that there is no beneficial or detrimental impact to any of our clients.

We have policies and procedures in place to address the handling of conflicts of interest. **We avoid** conflicts prohibited by law as well as conflicts that we cannot effectively control. In situations that we do not or cannot avoid and/or where our interests may compete with yours, your interest is always given priority, by us acting in one of two ways:

- **We control** or manage acceptable conflicts by physically separating different business functions; restricting the internal exchange of information; reducing the possibility of one part of our organization unsuitably influencing another; and by removing the financial incentive of an employee to favour a particular product or service over another that may be more suitable.
- **We disclose** information about any remaining conflicts to you so that, when you evaluate our recommendations and actions, you can assess independently if conflicts are significant for you.

Should you have any other questions or concerns, please do not hesitate to contact your Advisor.

## Reporting to Our Clients

### Confirmations

We provide you with written confirmation slips, electronically or by post of the details of every purchase or sale. Please look for and review your confirmation(s) as soon as you receive them.

**Note: We do our utmost to avoid errors, however, misunderstandings and mistakes can happen. Please let us know as soon as possible if you identify any errors and/or see any transactions that you do not recall or identify.**

### Account Statements

You will receive a portfolio statement on a at least a semi-annual basis and monthly if there are transactions to report. Your account statement confirms all account activity, including purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid transfers, and any other transactions that occurred in your account over the reporting period.

**Note:** These statements also list your current holdings and the net value of your portfolio as if you had closed all positions as of the date on the statement. The value of most securities you hold is calculated using data we believe to be accurate and from reliable sources. In the case of securities that have ceased trading, where the company is bankrupt, in the instance of thinly traded securities and of Canadian Controlled Private Corporations (CCPCs) valuations may not be available, or will not be entirely reflective of actual value.

### **Fees and Charges Paid**

Fees are reflected on your statements and/or you are advised of fees or methods of compensation. Prior to your Advisor accepting orders on your behalf, specific or a reasonable estimate of the charges involved will be communicated to you.

Annually, you will receive a report detailing all charges and other compensation, including trailing commissions or similar compensation tied to your investments.

### **Internal Reporting**

We may also report to you using our portfolio management reporting system which may or may not include tax reporting, performance, and account holdings. These are in addition to the custodial statements noted above, which are prepared using data we believe to be accurate. A performance report will be provided annually with your account statement so that you as an investor will know:

- How much you have invested and the value of your holdings;
- Deposits and withdrawals for the past year and since inception of the account; and
- What the percentage returns are for the specified period.

### **Benchmarks**

Due to varying investment objectives and risk tolerances for each client, specific benchmarks are not currently provided to our clients. We do however provide index information to those who receive performance reports using our portfolio management system which can be used as a guide in assessing the performance of your account.

You can assess the performance of your investments by comparing the rate of return on your overall portfolio to an investment performance benchmark. Your rate of return is affected by, among other things, changes in the value of your securities, dividends, and the interest you earn, as well as the timing of your deposits and withdrawals.

To compare your rate of return with a benchmark, find a benchmark made up of securities like the ones you have in your account. For example, the S&P/TSX Composite is a benchmark for a broad group of Canadian stocks that trade on the Toronto Stock Exchange. It is a good yardstick for assessing performance of a Canadian equity mutual fund with investments in Canadian corporations. It would not be a good benchmark if you hold

foreign investments, bonds or shares of smaller companies or ones limited to only one part of the economy.

We are and will be making changes to meet new and future regulatory requirements regarding the reporting of the rate of return on your account(s). Please speak with your investment Advisor if you have questions about the performance of your portfolio or what benchmark(s) might be appropriate for you.

## **Other Helpful Information**

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We believe that open communication is the best way to achieve a successful relationship with you. However, misunderstandings can arise and mistakes can occur. If you have any questions, concerns or compliments please let us know.

### **Complaint-Handling Procedures:**

If you have a complaint about the handling of your account by a WCI employee, we request that you submit the details of your complaint, preferably in writing, to:

#### **Chief Compliance Officer**

Watt Carmichael Inc.  
365 Bay Street  
Suite 1200  
Toronto, Ontario M5H 2V1  
Phone: (416) 307-1522

The Chief Compliance Officer is the Designated Complaints Officer for WCI.

Generally, a complaint is defined as an allegation of breach of confidentiality, theft, fraud, forgery, misappropriation or misuse of funds or securities, misrepresentation, unsuitable investments, unauthorized trading relating to the clients' account(s), other inappropriate financial dealings with clients and engaging in securities related activities outside of WCI.

Within five (5) business days of receiving your complaint, WCI will acknowledge in writing that we have received and have begun to investigate your complaint. We will also enclose a brochure outlining the options you have available to you regarding the resolution of your complaint.

When WCI begins investigating your complaint, we may need to contact you to clarify the nature of the complaint and to obtain as much information as we can to help us make an informed decision of the merits of your complaint. As a member of the Canadian Investment Regulatory Organization ("CIRO"), WCI is obliged to conduct a thorough investigation and provide you with a final response within 90 days of the receipt of your complaint. On rare occasions, this may take longer. For example, if you are away on vacation and we are unable to contact you to get more information, the complaint investigation process may be delayed. If we are unable to complete our investigation within the 90-day time frame, we will advise you of that fact in writing, and provide you with an explanation for the delay.

Upon completing our investigation, we will send you a detailed response letter summarizing our understanding of your

complaint and the conclusion we have reached. We will also provide a thorough explanation of why we have come to that conclusion.

## **Canadian Investor Protection Fund**

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### **WHAT IS THE CANADIAN INVESTOR PROTECTION FUND?**

CIPF was created by the investment industry to ensure that client assets are protected – within defined limits – if a CIPF Member becomes insolvent. Assets include cash, securities and certain other property such as segregated insurance funds. CIPF is not a government organization. Payments to clients are determined independently by CIPF, not by the investment dealer.

The safety and protection of your assets are of utmost importance. NBIN and Watt Carmichael Inc. are member firms of the Canadian Investor Protection Fund (CIPF). Customers' accounts are protected for losses arising from the insolvency of a member firm for up to \$1,000,000. An explanatory brochure on CIPF is available upon request or by visiting their website - [www.cipf.ca](http://www.cipf.ca).

### **WHO PAYS FOR THIS COVERAGE, AND HOW DO I GET IT?**

You, the investor, pay no fees for CIPF protection. Coverage is automatic when you open an account with an investment dealer that's a Member of CIPF.

Each investment dealer contributes to a substantial fund which CIPF maintains. CIPF determines the size of the fund and the amount that each investment dealer must contribute.

### **ARE THERE LIMITS ON MY COVERAGE?**

The limit is CDN \$1,000,000 for any combination of cash and securities. Most investors will have two accounts - a general account and a retirement account - that are each eligible for \$1,000,000 coverage. If an investor has several general accounts, such as cash, margin and \$US, they are combined into one

account for coverage purposes. Similarly, retirement accounts such as your registered retirement savings plan (RRSP), registered retirement income fund (RRIF), life income fund (LIF) and locked-in retirement account (LIRA) are combined into one account for coverage purposes.

The account protection applies in the unlikely situation where either WCI, NBIN or National Bank Financial becomes financially insolvent and are unable to meet their obligations to their customers. CIPF coverage does not cover customers' losses which result from fluctuating market values, regardless of the cause of such losses.

The CIPF Member logo.

LOOK for it. EXPECT it. INSIST on it.



Canadian Investor Protection Fund  
First Canadian Place, 100 King Street West  
Suite 4430, P.O. Box 481  
Toronto, Ontario M5X 1E5

E-mail: [info@cipf.ca](mailto:info@cipf.ca)

Telephone: **416 866 8366**  
Toll-free: **1 866 243 6981**  
Fax: **416 360 8441**

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## **Member:**



**CIRO • OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

