



Relationship Disclosure Document

April 2021

Purpose of this document

This Relationship Disclosure Document contains important information concerning our relationship with you. It contains information about us, the services and products that we offer, risks, the nature of your account(s) with us, the manner in which they are operated, fees you are paying and how they are calculated, how we assess the suitability of your investment, the reports that help monitor your financial assets, conflicts of interest, our carrying brokers' handling of orders, complaint handling and a checklist of documents that will be provided to you.

Delivery of this document

The Relationship Disclosure Document will be delivered to you at the time you open your account(s) with us. If there is a material change to the information contained in this document, we will provide you with an updated document on a timely basis.

Who we are?

Red Cloud Securities Inc. ("Red Cloud") is an investment dealer and is registered in all Canadian provinces and territories. We are members of the following organizations: The Investment Industry Regulatory Organization of Canada ("IIROC") and The Canadian Investor Protection Fund. Our services include:

- Equity research
- Institutional and retail sales and trading
- Equity underwriting
- M&A advisory
- We recognize that some of these activities are more susceptible to conflicts of interest than many other commercial activities. Conflicts of interest may still arise despite the intentions of our strategic planning to limit them.

You can learn more about our firm at www.redcloudsecurities.com.

Description of the Member Firm

Red Cloud is a Type 2 Introducing Broker ("IB") investment firm. Our client accounts are held in a custody arrangement with our "carrying broker" ("CB"), Fidelity Clearing Canada ULC. All investments shown on our client statements are held by Fidelity Clearing Canada ULC in segregation from the accounts of other brokerage firms. Fidelity Clearing Canada ULC executes, settles and reports all of your trade activity to you and provides Red Cloud (and consequentially to you) with a contractual indemnity assuring you that the investments shown on your statements are held by them as custodian. If, under any circumstances, any trade activity for your account is not reported on a trade confirmation and your monthly statement, immediately report such omission to your Red Cloud RR since such an event is a violation of our operating policies and procedures.

The account(s) you have and how they operate

We offer our clients advisory accounts. Your Investment Advisor is responsible for providing suitable and unbiased investment recommendations to you that meet the standard of care expected of a trained investment professional based on the KYC information that you provide to us. You (or your authorized representative) direct(s) all trading and is (are) responsible for all investment decisions in your account.

Commission-based account

Red Cloud charges a commission for each trade made in your account, based on either a flat dollar amount or

a percentage of the value of the securities purchased or sold. The commission is negotiated between you and your investment advisor before the trade is executed in your account. The commission is also disclosed on your trade confirmation. Investments purchased on your behalf may also pay us fees, such as agent's fees in respect of underwritings.

Investment Performance Report

For clients with cash accounts, performance reporting: quarterly, yearly and/or monthly annualized performance summaries will be available on request. We will send you a performance report on your account every 12 months on a calendar year basis. This annual performance report will include your annualized returns over one, three, five and ten year periods from the time your account was opened. Performance reporting is not available for COD accounts. The report will indicate the performance of each of your accounts, net of the fees you have paid.

Fees and Compensation Report

A Fees and Compensation Report will be sent annually. The report will help you understand the fees you paid to us as well as the amounts we have received for servicing your account. All amounts displayed are in the currency of the account.

How Red Cloud assesses the suitability of your investments

We will assess whether a purchase or sale of a security is suitable for you prior to making a recommendation to, or accepting trade instructions from you. We will also assess the suitability upon the occurrence of the following:

- If securities are transferred or deposited into your account;
- If there is a change in your investment advisor; and
- If there is a material change in your KYC information.

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

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

Suitability of investments is determined on an account by account basis. On the New Account Application Form, details will be provided on time horizon, risk tolerance and risk capacity for each account. This will ensure that appropriate investments are made by account.

Red Cloud will not review the investments held in your accounts in the event of a major market correction or any other factors not described above. However, your investment advisor is ready to discuss the effect of market fluctuations on your account with you when you request it.

Know Your Client (KYC) Information

Your KYC information is about you, your personal circumstances and current financial situation and includes, but not limited to your:

Age;

Annual Income: the approximate annual income of you and your spouse combined;

Net Worth: calculated as your fixed assets and liquid assets less liability;

Investment Objectives: – what you would like to achieve from your account; and,

Risk Tolerance: the degree to which you are willing to accept a fluctuation in value of your investments.

We will explain in more detail these concepts: Investment Knowledge/Experience, Investment Objectives, Investment Time Horizon and Risk Tolerance.

Investment Knowledge/Experience

Your investment advisor needs to understand your level of investment knowledge and experience in order for him to make suitable investment recommendations. Investment knowledge and experience encompass an understanding of the characteristics of various types of securities, experience in investing in those securities, and experience holding investment in various market cycles. Your level of investment knowledge and experience may change over time. Investment knowledge and experience levels are described as follows:

Sophisticated

You have traded in most types of investment products including knowledge of alternative investments (options, private equity, hedge funds) speculative and short selling strategies and an appreciation of the risks and rewards involved in trading these securities.

Good

You have either traded in or have some knowledge of the basic characteristics of investment securities, as well as basic understanding of the degree of risk and reward inherent in these types of securities.

Limited

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

Poor/none

You have very limited or no knowledge of the basic attributes of investment securities

Primary purpose of account

Information will be requested on the primary purpose of each account, which include generating income for current or future expenses; partially fund retirement; fully fund retirement; fund a major purchase; preserve wealth and pass it on to heirs; pay for children's education or market speculation.

You can choose to have specific investment objectives, risk tolerance and risk capacity for each account held at Red Cloud.

Time horizon

The investment time horizon plays an important role in setting return objectives and defining liquidity constraints. Investment time horizon should be determined by considering when you will need to access some or all of the money in your accounts. It should be indicated by one of the following ranges: One to three years; Three to five years; Five to ten years; More than ten years.

Investment Objectives, Risk Tolerance and Risk Capacity

The investments in your account should be consistent with your investment objectives, risk tolerance and risk capacity. Investment Objectives mean the overall financial goal you wish to receive with investments in the account. Risk tolerance reflects your willingness to accept risk and withstand volatility and possible losses.

Risk capacity reflects your ability to sustain temporary and permanent losses of capital. Risk capacity will depend on your overall level of savings, ability to generate income in the future and expected future expenses.

Based on the above, you will be asked to classify your objectives and risk tolerance as being income related, balanced, growth or aggressive growth.

When Red Cloud recommends an order to you or accepts an order from you or your legal representative, we will review each order or strategy in the context of your KYC described above. Our understanding of your KYC is critical in helping us in recommending the proper assets allocation for your account(s).

The reports that help monitor your financial assets, their performance, and the fees & charges you may pay to Red Cloud

Confirmations

We will provide you with written trade confirmations of the details of every purchase and sale in your accounts by mail on the day the transactions are completed. Please review your trade confirmation as soon as you receive it.

Account statements

We will mail you a statement for the month of March, June, September and December and for any month in which a transaction has occurred in your account. Every confirmation, statement or other communication sent by our carrying broker and Red Cloud shall be deemed to have been acknowledged as correct by you unless we have received written notice to the contrary within 25 days of month end.

Fees and Commissions

Commission charges for the purchase and sale of securities are recorded on the trade confirmation transaction records that are used for each purchase and sale. Administrative and services fees may include fees for wire or security transfers and registered plans, Administration and service fees are published on the Red Cloud website at www.redcloudsecurities.com, or from your advisor.

Performance Benchmarks

Investment benchmarks are a standard against which the performance of a security can be measured. Generally, broad market stock and bond indexes are used for this purpose. There are dozens of indexes that be used to gauge the performance of any given investment including the S&P/TSX Composite, the S&P 500 and the Dow Jones Industrial Average. When evaluating the performance of your investments, it is important to compare it against an appropriate benchmark.

Given the importance of having the correct comparison and the diverse nature of our client accounts, Red Cloud will not include benchmarks on the monthly statements we send to our clients.

Conflicts of Interest

How We Manage Conflicts Of Interest

In the course of our usual activities we assume a responsibility to deal fairly, honestly and in good faith with our clients and to act in their interests. We recognize that conflicts may arise between each of these individuals responsibilities, or between any of these responsibilities and the interests of Red Cloud, its advisors or its clients.

We have implemented policies and procedures to manage potential conflicts of interest which may arise in the course of carrying on our regulated activities.

We employ three basic mechanisms to manage conflicts: we control the conflict, disclose it, or when the conflict has a serious potential impact on Red Cloud or our clients, we avoid it.

Conflicts that cannot be adequately managed and prevented by existing conflicts management arrangements are required to be reported and escalated to the Chief Compliance Officer.

The likely impact of the conflict is assessed and an appropriate response implemented.

Some of the specific conflict management procedures which we have implemented include:

1. We manage and resolve all conflicts in favour of our clients.
2. We make our research reports available to all clients at the same time.
3. We control information through the use and management of “grey” and “restricted” lists and monitor employee trading accordingly.
4. We require our employees to discuss any potential conflicts of interest they identify with their supervisor.
5. We require our employees to maintain the confidentiality of all confidential information and prohibit them to use such information for their personal gain.
6. We have implemented policies concerning best execution procedures, client priority and the allocation of investment opportunities to ensure that our clients receive trade execution ahead of the Red Cloud’s employees and receive a fair allocation of investment opportunities.
7. We provide our employees with ongoing compliance training which includes education about identifying, reporting and handling of conflicts of interest.

Securities regulations require that we use due diligence to ensure that orders accepted from you and recommendations made to you are suitable for you, based on factors including your financial situation, investment knowledge, investment objectives and time horizon, risk tolerance and risk level. As a result, we reserve the right to decline to accept orders to purchase securities if, in our opinion, they are not suitable based on such factors. Upon opening your account, your advisor will request information from you related to these factors, which will be used to assess the suitability of investments recommended and orders accepted.

You will be provided with a copy of this information in the New Client Application Form (NCAF). Please review this form carefully to ensure that all of the personal and financial information recorded is accurate before signing the form. After your account has been opened, you will receive a copy of the NCAF for your records. Please review the NCAF carefully and advise us promptly if any of the information is not accurate. If there is a material change to your personal or financial information – such as your employment status, income or financial resources, investment objectives or risk tolerance – at any time after you open your account, please tell your advisor about these changes so that we may update our records and continue to provide suitable advice. If you do not tell your advisor about these changes, we cannot ensure that any further recommendations made to you or orders accepted from you will be appropriate for you. If there is a material change in your personal or financial circumstances that results in a change to the information that we have on record, we will send you an updated NCAF which includes these changes. Please review this document carefully and advise us promptly if any of the information is not accurate. Your advisor will review your account holdings to assess their suitability in the following circumstances:

- When an order is accepted;
- When a recommendation is made;
- When you deposit or transfer securities into your account;
- When there is a material change in your personal or financial circumstances that results in a revision of the information that we have on record; and
- When there is a change of the advisor responsible for your account.

Other events, such as significant market fluctuations, may not result in a review of the suitability of your existing investments. Please contact your advisor if you wish to review the suitability of your investments at any time.

Although we will endeavor to ensure that the investments you own are suitable for you, it is important to note that the value of individual securities is not guaranteed. The value of securities and your investment portfolio as a whole can fluctuate, and you could lose part or all of the value of any investment. Unlike bank accounts, your stocks are not covered by the Canada Deposit Insurance Corporation or another deposit insurer. The Canadian Investor Protection Fund (CIPF) covers losses of clients of IIROC member firms resulting from the insolvency of a member firm, within specified limits, but the CIPF does not insure against investment losses resulting from loss of value of securities.

Additional important information you need to know about your relationship with us is contained in other documents we provide to you such as account opening forms, trade confirmations, month end statements, and the updates we provide to you from time to time about any changes that have occurred to the information that you have received from us. Specific documents that you may receive from us during the course of our relationship are discussed later in this document.

Our Relationship with You

Pursuant to securities industry regulations, your account is described as an "advisory account." This means that you are responsible for investment decisions. Your advisor can make recommendations but cannot make investment decisions for you. When making recommendations, your advisor must meet an appropriate standard of care, provide suitable investment recommendations and provide unbiased investment advice.

Account Opening Documents

In connection with your new (updated) account(s) the following documents are available in the Client Notices and Agreements menu on the www.redcloudsecurities.com.com home page:

For All Accounts

- New Client Application Form (Note 1)
- Client Agreement (Note 1)
- Relationship Disclosure Document (Note 2)
- Conflict of Interest Statement
- Electronic Funds Transfers
- Administration Fee Schedule (Note 1)
- Introducing/Carrying Broker Disclosure
- Terms & Conditions
- Agent for Service Information

Keeping You Informed (Regulatory Disclosure)

- Privacy and Protection of Personal Information Policy
- Explanation of the Limitation of Benefits Article & Treaty Statement
- Impacts on Certain Clients Under US Withholding Tax Rules
- Communication with Beneficial Owners of Securities
- Business Continuity Plan
- CIPF Disclosure Brochure (Note 1)
- How IIROC Protects Investors

Handling Complaints

- Complaint Handling Policy (Note 1)
- IIROC Guide - An Investor's Guide to Making a Complaint (Part 1 of 2) (Note 1)
- IIROC Guide – How Can I Get My Money Back: A Guide for Investors (Part 2 of 2) (Note 1)
- Ombudsman for Banking Services and Investments – Investor Brochure

Note 1 – To be provided on account opening

Note 2 – To be provided prior to account opening

All other documents are available on our website, www.redcloudsecurities.com, or from your advisor on request.

Complaint Handling Procedures

Written client complaints can be submitted by mail to the Chief Compliance Officer (CCO) of Red Cloud Securities Inc. 105 King Street East, 2nd Floor, Toronto, Ontario M5C 1G6, 877-919-5979

The CCO will send you an acknowledgment letter within five business days of the receipt of your complaint. In this acknowledgement letter, the CCO may request additional information in order to investigate your complaint. The CCO will also send you the following IIROC brochures: Making a Complaint: A Guide for Investors and How Can I Get My Money Back? A Guide for Investors. You will also receive this brochure at the time of your account opening.

The CCO will provide you with a substantive response within ninety (90) calendar days of the receipt of your complaint. If the CCO is unable to respond to your complaint within the above time frame, he/she will provide you with a written explanation.

In his/her final decision letter, the CCO will provide you with a summary of your complaint, the results of his/her investigation, an explanation of his/her final decision, and the other options you may have for seeking compensation, if you are not satisfied with his/her response.

If you are dissatisfied with Red Cloud's final response you have received, you may contact the following organizations: Ombudsman for Banking Services and Investment (OBSI) and The Investment Industry Regulatory Organization of Canada (IIROC). Or you may choose to go to Arbitration or pursue legal action.