

CONFLICTS OF INTEREST DISCLOSURE STATEMENT
SINCLAIR-COCKBURN FINANCIAL SERVICES INC.

This conflicts of interest disclosure statement describes the material conflicts of interest that arise or may arise between Sinclair-Cockburn Financial Services Inc. (SCFS) and our clients, and between SCFS's registered representatives and our clients. Canadian securities laws require us to take reasonable steps to identify and respond to existing and reasonably foreseeable material conflicts of interest in a client's best interest and tell clients about them, including how the conflicts might impact clients and how we address them in a client's best interest.

What is a Conflict of Interest?

A conflict of interest may arise where (a) the interests of SCFS or those of its representatives and those of a client may be inconsistent or different, (b) SCFS or its representatives may be influenced to put SCFS or the representative's interests ahead of those of a client, or (c) monetary or non-monetary benefits available to us, or potential negative consequences for us, may affect the trust a client has in us.

How Does SCFS Address Conflicts of Interest?

SCFS and its representatives always seek to resolve all material conflicts of interest in the client's best interest. Where it is determined that we cannot address a material conflict of interest in the client's best interest, we and our representatives will avoid that conflict.

We have adopted policies and procedures to assist it in identifying and controlling any conflicts of interest that we and our representatives may face.

Material Conflicts of Interest

A description of the material conflicts of interest that we have identified in relation to our role as your Portfolio Manager, the potential impact and risk that each conflict of interest could pose, and how each conflict of interest has been or will be addressed, is set out below.

1. SCFS's Foreseeable and Current Conflicts of Interest

- a. Related and Connected issuer of SCFS and underwriting conflicts
 - i. **Nature:** SCFS has two related and connected issuers for which it is the underwriter:
 - Sinclair-Cockburn Mortgage Investment Corp. (SCMIC)
 - Sinclair-Cockburn Mortgage Corp. (SCMC)
 - **SCFS is the underwriter/manager for SCMIC and receives a 2.04% management fee per annum. Chris Pridham and Kathryn Sinclair, owners of SCFS, each have 25% voting shares of the issuer.**

- **Sinclair – Cockburn Mortgage Investment Corp. (SCMIC)**

The Corporation holds interests in first mortgages through its wholly-owned subsidiary, Sinclair-Cockburn Mortgage Corporation (SCMC). Mortgages held by SCMC are originated by the Corporation and transferred to SCMC in consideration of the loan value of the mortgage, payable in cash. SCMC has in place a credit facility to finance the acquisition of these first mortgages. As security for the repayment obligations under such facility, SCMC has delivered a General Security Agreement in favour of the lender, granting a charge over all assets of SCMC including accounts receivable. The Corporation's investment in SCMC will not exceed \$20 million.

- ii. **Impact:** A potential conflict of interest can arise when the principals of SCFS have a financial interest in the distribution of a product to clients, as their compensation is tied to the amount of assets under administration in the product.
- iii. **Control:** We address this potential conflict by ensuring that representatives gather sufficient information from clients when completing the new account opening documents to ensure that clients qualify for the investment. Furthermore, representatives conduct a suitability review to ensure that the investment is suitable based on the client's investment profile. Each transaction is reviewed and approved by the CCO before a transaction takes place.

b. Remuneration

- i. **Nature:** Remuneration is an inherent part of the business that may influence the conduct of SCFS and its employees and is deemed a material conflict of interest by nature. When a SCFS representative sells you an investment, SCFS as dealer is paid a commission calculated as a percentage of your total investment. A portion of that commission is then paid to your representative, depending on what has been negotiated between SCFS and the representative. Some products also have trailing commissions, annual fees that are additionally paid to SCFS which again, receives payment and pays a portion to your representative.
- ii. **Impact:** Remuneration may influence employees to act to their own benefit rather than that of the client. Difference in compensation between products may also influence an employee to make an investment recommendation based on the total compensation the company or the individual will receive, rather than the suitability of the investment to the client.
- iii. **Control:** SCFS controls the above impacts by (1) having a documented sales practice that does not involve internal compensation that might skew decisions of the dealing representatives or that incentivizes predatory sales practices, (2) have the CCO review each trade to make sure it is consistent with our suitability obligation, making sure a dealing representative is not entirely favouring a high-paying product over another for no other reason other than compensation, (3) periodically review the products of competitors and other issuers to make sure our compensation is within competitive market rates, and (4) have a due diligence and Know-Your-Product policy in place that ascertains our products were chosen on their merit as an investment, and not based on the potential compensation SCFS or its employees might receive.

c. Gifts and Entertainment

- i. **Nature:** An issuer, client, or other relevant relationship to SCFS and its employees might offer a gift, form of entertainment, charitable donations to organizations supported by a client/issuer, or other benefits that are beyond the compensation already received from our services.
- ii. **Impact:** A conflict of interest may arise where the firm's employee receives or offers a gift or form of entertainment that constitutes an improper incentive for an employee and may influence them to act in a way that may not be ethical or in the best interests of the client.
- iii. **Control:** All gifts are disclosed to the CCO and logged on our Gift Log and Filing Form prior to being officially accepted. Gifts and entertainment should be refused if the employee believes it jeopardizes their independence and objectivity. SCFS also has a policy that all gifts from issuers that exceed \$250CAD are to be expressly rejected, and all other gifts require approval before being accepted or used.

d. Agent vs. Principal (Proprietary Products)

- i. **Nature:** SCFS may on occasion promote opportunities in which it is the Principal. This is also referred to as offering proprietary products, where SCFS's involvement goes beyond acting as just an agent for capital raising.
- ii. **Impact:** SCFS and its employees may be influenced to recommend proprietary products more often due to differing compensation structures and other benefits to the firm that typically arise from also being a principal on the project.
- iii. **Controls:** In the event SCFS offers proprietary products, we will (1) subject the product to the same KYP and Due Diligence process as our non-proprietary products, (2) the same controls regarding trades and controls for remuneration outlined above will be applied to trades in proprietary products, (3) no additional compensation or benefit incentive will be created to incentivize the sale of proprietary products over non-proprietary products, and (4) equal access will be afforded to proprietary products and non-proprietary products.

e. Purchasing Client Assets outside Regular Business:

- i. **Nature:** SCFS employees might be presented the opportunity to purchase client assets outside regular business.
- ii. **Impact:** This is a material conflict of interest where the employee might have information on the client's file to their advantage in pursuing the asset purchase, or it might have other conflicts associated with it, such as tied selling or other benefits and compensation that arise from that transaction.
- iii. **Control:** SCFS has a policy of forbidding employees in being involved in this type of activity.

- f. Client Lending
 - i. **Nature:** SCFS employees or as a firm might be presented the opportunity to lend an asset or capital to a client or borrow from a client.
 - ii. **Impact:** This is a significant conflict of interest that might influence either the client or the employee to act on their interest regarding the settling of the debt and other benefits that might arise from the borrowing situation.
 - iii. **Control:** It is strictly forbidden to lend money to or borrow from SCFS clients as an SCFS employee.

- g. Control or Authority over Client Financial Affairs
 - i. **Nature:** SCFS employee having a power of attorney or other documentation or situation giving full control or authority over a client's financial affairs.
 - ii. **Impact:** Material conflict that might put the SCFS employee in a position that allows them to not put the client's interest first due to the influential position they retain with the power of attorney.
 - iii. **Control:** It is strictly forbidden for a SCFS employee to have a Power of Attorney or full authority over a client's financial affairs.

- h. Referral Arrangements (i.e. SCFS refers a client to a third-party)
 - i. **Nature:** SCFS employees might enter arrangements with third-parties to receive compensation for referring a client to an outside service.
 - ii. **Impact:** This is a material conflict that might incentivize an employee to choose one third-party over another solely on the base of compensation, or make a recommendation that is not in the client's best interest.
 - iii. **Control:** SCFS will perform due diligence on the referred party and will only make recommendations to third-parties in situations where there is no additional financial burden to the client and there is strict adherence to our referral arrangement policy below regarding disclosures. Referral of clients to other services will be based strictly on the merit of the referred party and to the benefit and interest of the client that is in need of such service.

- i. Outside Activities
 - i. **Nature:** At times, our representatives may participate in activities outside of their employment with us, such as serving on a board of directors, participating in community events or pursuing personal outside business interests, whether paid or unpaid.
 - ii. **Impact:** A potential conflict can arise from a representative of SCFS engaging in such activities as a result of compensation received, the time commitment required or the position held by the representative in respect of these outside activities. The potential impact and risk to you are that these outside activities may call into question the representative's ability to carry out their responsibilities to you or properly service you, there may be confusion which entity(ies) the representative

is acting for when providing you with services and/or if the outside activity places the representative in a position of power or influence over you.

- iii. **Control:** We address this conflict by requiring our staff to seek approval before engaging in any outside activity, including acting as a director or officer for a public company or other business and non-business ventures, which could interfere with the proper discharge of the individual's duties to us. In each case, the individual must request approval from the firm's Chief Compliance Officer (CCO) to engage in the outside activity and the CCO considers any conflicts of interest arising due to the nature of the relationship, compensation and time commitment. The CCO will not allow the representative to proceed with the outside activity if it determines determine that the outside activity will give rise to material conflicts of interest that cannot be addressed in the clients' best interest. No registered individual acts as an officer or director of another registered firm that is not an affiliate of SCFS or as a registered individual of any other firm.