



DISCLOSURE STATEMENT

Our investment and financial planning process starts with a Personal Financial Review form which is completed by you before attending your first appointment.

Moneystrat Securities Inc. is a Mutual Fund and Exempt Market Dealer licensed to sell mutual funds and exempt market securities as outlined in Ontario Securities Commission (OSC) regulations. Our self-regulatory organization (SRO) is the Mutual Fund Dealers Association of Canada (MFDA). The MFDA is responsible for the enforcement of industry regulations to protect investors, maintain fair, equitable and ethical practices in the industry and ensure conformity with securities legislation.

All employees are required to be licensed by the OSC having passed the Canadian Securities Course® (CSC) and the Conduct and Practices Handbook Course® (CPH).

All employees must comply with the rules and regulations as outlined in the Ontario Securities Act R.S.O. 1990, c.S.5, National Instrument 81-105 and the MFDA rules, by-laws, policies, notices and bulletins.

All employees must be fully aware of and compliant with the Canadian Securities Conduct and Practices Standards of Conduct.

All clients of Moneystrat Securities Inc. are responsible for making their own investment decisions. However, they can rely on the advice provided by their Approved Person regarding the suitability of the investments based on their investment knowledge, time horizon, investment objectives and risk tolerance as outlined in their Personal Financial Review form. This includes both the investment products recommended by the Approved Person and those requested by the client.

A suitability review will be conducted by the Approved Person when:

- a client transfers assets into an account with Moneystrat;
- there is a material change in the client's Know Your Client (KYC) information;
- there is a change in the Approved Person responsible for the account.

1. **Products and Services:** Financial, retirement, estate and tax planning, investment management, mutual funds, exempt market products, principal protected notes and guaranteed investment certificates (GIC).
2. **Front End Load:** If a mutual fund is purchased using the **front end load** option, a **one-time** purchase fee, as a percentage of the gross investment amount, may be deducted by the fund management company, part of which will be paid to a Moneystrat Securities Inc. representative.
3. **Deferred Sales Charge (DSC):** If a mutual fund is purchased using the **deferred sales charge** option, you will not pay any sales charge at the time of purchase; however, the mutual fund will pay a commission to a Moneystrat Securities Inc. representative. If you were to redeem the fund the next day, you would pay between 4.5% and 6% (depending on the fund and fund company). This charge decreases by a set percentage for each year that your investment remains in the fund until the charge disappears. You are allowed to withdraw 10% per year with no charge.

When making a recommended switch from one fund to another there may be DSC remaining on the fund being switched out. DSC deducted from the fund may be reimbursed to the client when the new fund is purchased, as long as it does not exceed the commission received on the purchase of the new fund. The DSC



charged and reimbursed will be clearly identified on the Moneystrat order and a DSC Rebate Disclosure Statement will be provided.

4. **Service Fees:** Some fund management companies may provide additional incentive compensation to Moneystrat Securities Inc. representatives, such as subsidizing the cost of financial conferences or continuing education programs, and regular service fees resulting from the purchase of their funds.
5. **RSP/RIF Trustee Fees:** Should the mutual funds be held in a RSP, RIF or other registered tax deferral plans, the trustee of the plan may annually deduct a trustee fee from the funds. The trustee may also charge a deregistration fee and a transfer out fee.
6. Although cashable on any business day, professionally managed mutual funds are usually considered to be long term investments and their market value may fluctuate during short term periods. Past performance of mutual funds is not necessarily a guarantee of future performance.
7. **Procedures for Handling Cash and Cheques:** All cheques should be made payable to “Moneystrat Securities Inc. In Trust”. Under no circumstances should the cheque be made payable to the Approved Person or any other employee of Moneystrat Securities Inc.

Cash can only be accepted by following the FINTRAC guidelines on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

8. **Moneystrat Financial Services Inc.:** Fees are charged for services provided by this firm. These services include income tax return preparation and filing, estate planning, wills, power of attorneys and trusts. These fees may provide compensation to a Moneystrat Securities Inc. representative. These services are not performed under Moneystrat Securities Inc. and not the responsibility of Moneystrat Securities Inc.
9. **Privacy Disclosure Statement:** Canada’s federal privacy law, The Personal Information Protection and Electronic Documents Act (PIPEDA), requires that Moneystrat Securities Inc. obtain from all existing, new and prospective clients knowledgeable consent for the collection, use and/or disclosure of his or her personal information. Please refer to Schedule C for detailed information on our policies and procedures.
10. **Dual Occupations:** Representatives of Moneystrat Securities Inc. may hold dual licenses which include insurance. These activities are performed under the separate but associated company Moneystrat Insurance Management Inc. These activities are not performed under Moneystrat Securities Inc. and not the responsibility of Moneystrat Securities Inc.
11. **Confidential Client Information:** Clients who engage the services of Moneystrat Securities Inc., Moneystrat Financial Services Inc. and/or Moneystrat Insurance Management Inc. may have confidential client information shared between the three above-noted associated companies. Sharing of information will be in accordance with the policies and procedures as outlined in the Privacy Disclosure Statement. The client has a right to revoke the consent to share information and the client consent is not required as a condition of dealing with Moneystrat Securities Inc.
12. **Leveraging:** All clients, whether or not they engage in leveraged investing, must review and sign off on the enclosed Schedule D – Borrowing Money to Buy Securities (Leveraging).
13. **Content and Frequency of Reporting:** Investment statements will be mailed to all clients on a quarterly basis. The Investment statement content will include:



Client name accounts:

- (i) all debits and credits;
- (ii) the quantity and description of each security purchased, sold or transferred and the dates of each transaction; and
- (iii) for automatic payment plan transactions, the date the plan was initiated, a description of the security and the initial payment amount made under the plan.

All accounts:

- (i) the type of account;
- (ii) the account number;
- (iii) the date the statement was issued;
- (iv) the period covered by the statement;
- (v) the name of the Approved Person(s) servicing the account, if applicable; and
- (vi) the name, address and telephone number of the Member.

Trade confirmations will be provided on a monthly basis directly from the fund company or registered account trustee.

Rates of Return

In addition to complying with the requirements in MFDA Rule 2.8.2, any client communication containing or referring to a rate of return regarding a specific account or group of accounts must be based on an annualized rate of return and explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis of the rate of return.

You will find details of front end loads, deferred sales charges, and additional compensation amounts in the simplified or summary prospectus for each mutual fund.

I acknowledge receipt of this disclosure statement and a current simplified or summary prospectus which contains additional information regarding fees and incentive compensation for each mutual fund purchased.

CLIENT NAME	SIGNATURE	
CLIENT NAME	SIGNATURE	
DATE	REP NAME	CODE 9713-



SCHEDULE A
MUTUAL FUND DEALERS ASSOCIATION OF CANADA
CLIENT COMPLAINT INFORMATION

Clients of a mutual fund dealer who are not satisfied with a financial product or service have a right to make a complaint and to seek resolution of the problem. MFDA Member dealers have a responsibility to their clients to ensure that all complaints are dealt with fairly and promptly. If you have a complaint, these are some of the steps you can take:

- Contact your mutual fund dealer. Member firms are responsible to you, the investor, for monitoring the actions of their representatives to ensure that they are in compliance with by-laws, rules and policies governing their activities. The firm will investigate any complaint that you initiate and respond back to you with the results of their investigation within the time period expected of a Member acting diligently in the circumstances, in most cases within three months of receipt of the complaint. It is helpful if your complaint is in writing.
- Contact the Mutual Fund Dealers Association of Canada (MFDA), which is the self-regulatory organization in Canada to which your mutual fund dealer belongs. The MFDA investigates complaints about mutual fund dealers and their representatives, and takes enforcement action where appropriate. You may make a complaint to the MFDA at any time, whether or not you have complained to your mutual fund dealer. The MFDA can be contacted:
 - By completing the on-line complaint form at www.mfda.ca
 - By telephone in Toronto at 416-361-6332, or toll free at 1-888-466-6332
 - By e-mail at complaints@mfda.ca. You may wish to consider issues of internet security when sending sensitive information by standard e-mail.
 - In writing by mail to 121 King Street West, Suite 1000, Toronto, ON M5H 3T9 or by fax at 416-361-9073

Compensation:

The MFDA does not order compensation or restitution to clients of Members. The MFDA exists to regulate the operations, standards of practice and business conduct of its Members and their representatives with a mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry. If you are seeking compensation, you may consider the following:

- Ombudsman for Banking Services and Investments (OBSI): After the dealer's Compliance Department has responded to your complaint, you may contact OBSI. You may also contact OBSI if the dealer's Compliance Department has not responded within 90 days of the date you complained. OBSI provides an independent and impartial process for the investigation and resolution of complaints about the provision of financial services to clients. OBSI can make a non-binding recommendation that your firm compensate you (up to \$350,000) if it determines that you have been treated unfairly, taking into account the criteria of good financial services and business practice, relevant codes of practice or conduct, industry regulation and the law. The OBSI process is free of charge and is confidential. OBSI can be contacted:
 - By telephone in Toronto at 416-287-2877, or toll free at 1-888-451-4519
 - By e-mail at ombudsman@obsi.ca



- Legal Assistance: You may consider retaining a lawyer to assist with the complaint. You should be aware that there are legal time limits for taking civil action. A lawyer can advise you of your options and recourses. Once the applicable limitation period expires, you may lose rights to pursue some claims.
- Manitoba, New Brunswick and Saskatchewan: Securities regulatory authorities in these provinces have the power to, in appropriate cases, order that a person or company that has contravened securities laws in their province pay compensation to a claimant. The claimant is then able to enforce such an order as if it were a judgment of the superior court in that province. For more information, please visit:

Manitoba: www.msc.gov.mb.ca

New Brunswick: www.nbsc-cvmb.ca

Saskatchewan: www.sfsc.gov.sk.ca

- Québec: The Autorité des marchés financiers (AMF) pays indemnities to victims of fraud, fraudulent tactics or embezzlement where those responsible are individuals or firms authorized to practice under the legislation governing the provision of financial services in Québec. It also rules on the eligibility of claims and sets the amount of the indemnities to be paid to victims. Consumers can thus be compensated to a maximum of \$200,000 per claim, through funds accumulated in a financial services compensation fund. For more information, please visit www.lautorite.qc.ca.



SCHEDULE B

MONEYSTRAT SECURITIES INC. COMPLAINT HANDLING PROCEDURES

Introduction

A "complaint" shall be deemed to mean any written statement of a client or any person acting on behalf of a client alleging a grievance involving the conduct, business or affairs of Moneystrat or any registered salesperson, partner, director or officer. Although the definition of "complaint" refers to only written complaints, there may be instances where Moneystrat receives a verbal complaint from a client that will warrant the same treatment as a written complaint. Such situations depend upon the nature and severity of the client's allegations and require the professional judgment of Moneystrat's supervisory staff handling the complaint.

MFDA Client Complaint Information

Schedule A Client Complaint Information outlines the general procedures for filing a complaint as required by the Mutual Fund Dealers Association of Canada (MFDA).

How to File a Complaint with Moneystrat

Clients wishing to file a complaint can do so by contacting their Financial Advisor, Compliance Manager, Paul Mancuso or the President, David Brodigan.

Complaint Procedure

Moneystrat and its partners, directors, officers, employees and Financial Advisors will deal effectively with client complaints by following these procedures:

1. Each employee must acknowledge all client complaints by bringing them to the attention of the Compliance Manager within 24 hours of the complaint being received.
2. The Financial Advisor or Compliance Manager will provide the client with an initial letter of response and a copy of the MFDA Client Complaint Information within 24 hours of the complaint being lodged.
3. The Compliance Manager will convey the results of the complaint investigation in writing within 7 business days. The letter will contain:
 - an outline of the complaint
 - a summary of the facts investigated
 - reasons for the decision
 - a denial of complaint or a fair offer of settlement or an offer to refer it to mediation
 - a reminder that the client has the right to consider presenting the complaint to the Ombudsman within 6 months or submitting a complaint to the MFDA

It is recognized that some complaints may require a longer period of investigation. In this case the client will be updated on a regular basis and provided a reasonable expectation of the time required to resolve the complaint.

At any time clients may request further information or inquire on the status of a complaint by contacting our Compliance Manager, Paul Mancuso at 416-968-1444 or 1-800-810-1163.



SCHEDULE C

PRIVACY DISCLOSURE STATEMENT

Canada's federal privacy law, the Personal Information Protection and Electronic Documents Act (PIPEDA), effective January 1, 2004, requires that Moneystrat Securities Inc. (Moneystrat) obtain from all existing, new and prospective clients knowledgeable consent for the collection, use and/or disclosure of his or her personal information.

At Moneystrat we have always maintained and used your personal information in the strictest of confidence. To this end Moneystrat has policies and procedures that must be followed by all staff. Your personal information is collected, used and disclosed only where it is needed to service your account by the following associated companies; Moneystrat Securities Inc., Moneystrat Financial Services Inc. and Moneystrat Insurance Management Inc. This includes:

- Collecting your name, address, telephone number, social insurance number, date of birth and beneficiary information
- Using information for preparing financial plans and for placing mutual fund trades
- Sharing information with mutual fund companies in order to execute trades on your behalf
- Sharing information with Moneystrat affiliates in order to provide you with other services such as tax, insurance and estate planning
- Sharing information with other companies in order to service your needs such as account transfers, registered transfers and obtaining insurance on your behalf

As well, for regulatory purposes, self-regulatory organizations (SROs), including the Mutual Fund Dealers Association of Canada of which Moneystrat is a member, require access to personal information of current and former clients, employees, agents, directors, officers, partners and others that has been collected or used by Moneystrat. SROs collect, use or disclose such personal information obtained from Moneystrat for regulatory purposes, including:

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

If you have any questions regarding how Moneystrat collects, uses and discloses your personal information, or if you do not wish to receive information about our services or products, please contact our President, David Brodigan, at 416-968-1444 or 1-800-810-1163.



SCHEDULE D

BORROWING MONEY TO BUY SECURITIES (LEVERAGING)

Rule 2.6 of the Mutual Fund Dealers Association of Canada (MFDA) requires Moneystrat Securities Inc. to provide to each client a risk disclosure document containing the information prescribed by the MFDA when

- (a) a new account is opened for the client; and
- (b) when an Approved Person has recommended purchasing securities by borrowing funds or otherwise becomes aware of a client borrowing monies for the purchase of a security.

This disclosure need not be provided to the client in accordance with sub-paragraph (b) above if it has already been delivered within the six months prior to such recommendation or awareness. The disclosure document must contain the following information:

Risks of Borrowing for Purchasing Investments

Mutual fund units and other securities may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the purchase in full, the percentage gain or loss will equal the percentage increase or decrease in the value of the securities. The purchase of securities using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging.

For example, if \$100,000 of mutual fund units are purchased and paid for with \$25,000 from available cash and \$75,000 from borrowings, and the value of the fund units declines by 10% to \$90,000, your equity interest (the difference between the value of the securities and the amount borrowed) has declined by 40%, i.e. from \$25,000 to \$15,000.

It is important that an investor proposing to borrow for the purchase of securities be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. To what extent a purchase using borrowed monies involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Financial Resources Required for Investments Purchased with Borrowed Funds

It is also important that the investor be aware of the terms of a loan secured by securities. The lender may require that the amount outstanding on the loan not rise above an agreed percentage of the market value of the securities. Should this occur, the borrower must pay down the loan or sell the securities so as to return the loan to the agreed percentage relationship. In our example above, the lender may require that the loan not exceed 75% of the market value of the mutual fund units.

On a decline of value of the units to \$90,000 the borrower must reduce the loan to \$67,500 (75% of \$90,000). If the borrower does not have cash available, the borrower must sell units at a loss to provide money to reduce the loan. Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who use borrowed funds to purchase their investment are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

See the enclosed copy of the Leverage Plan.



LEVERAGE PLAN

Monthly PAC Investment		vs.	Leverage Plan Investment	
To Invest	\$1.00		To Invest	\$1.00
You Must Earn	\$2.00		You Must Earn	\$1.00
Top Tax Bracket 50%+			Pay \$1.00 Interest on Loan	
Cost	\$1.00		Tax Refund	\$0.50
			Cost	\$0.50

EXAMPLE

Tax Scenario

- You borrow and invest \$100,000 in the current year
- Your interest @ 10% = \$10,000
- You claim the \$10,000 on your tax return
- Your refund is \$5,000

Risk Scenario

- You borrow and invest \$100,000 in the current year

<u>Investment</u>	<u>Cost to Go In</u>	<u>Cost to Leave Plan Early</u>	
Templeton \$50,000	DSC, \$0	1 st Year	6.0%
Trimark \$50,000	DSC, \$0	2 nd Year	5.5%
		etc...	

- There is a market correction the following year, similar to the correction of 1987
- Your mutual funds decline by 10%
- You decide to sell because you are too nervous

Here's what happens if you cash out of the plan the following year, one year later:

\$100,000 is down 10% (\$100,000 less \$10,000) =	\$90,000
DSC charge (You paid \$0 to go in)	
Templeton @ 6.0% =	\$3,000
Trimark @ 6.0% =	<u>\$3,000</u>
Total DSC charge	<u>\$6,000</u>
Therefore, you receive	<u>\$84,000</u>
You have lost \$16,000	

IMPORTANT

Although mutual funds are cashable at any time, you should make a commitment to stay in the plan for at least 5 years. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

I acknowledge that I have reviewed and understand the above.

CLIENT SIGNATURE	AUTHORIZED SIGNATURE
JOINT CLIENT SIGNATURE (IF APPLICABLE)	DATE