



*Pacific Spirit* | Investment Management Inc

1100 – 800 W Pender St.  
Vancouver, BC V6C 2V6

Tel (604) 687-0123  
Fax (604) 687-0128

## **Client Disclosure Document**

### **Our products and services**

We provide investment management services to you. Our investment management services cover conservative, personally tailored portfolios of equities, fixed income, and real estate investments on a fee-only basis. We will manage the assets in your accounts in our discretion, subject to the Investment Management Agreement between us, which includes your personal Investment Policy Statement.

### **Your accounts**

Your accounts for which we provide those services include personal investment portfolio(s) in Canadian and/or US currencies, individual registered retirement savings plans (including locked-in plans), and tax-free savings accounts. Before we trade for your accounts, we must decide if the security is suitable for that account.

### **Learning about you**

Before we open an account for you, we have to establish your identity. At the same time, and from time to time, we will ask about your investment needs and objectives, your financial situation, your risk tolerance, and your risk capacity. That helps us decide which investments are suitable. We explain under the Security Selections section below how we determine suitability. The law also requires us to find out if you're an insider of any company whose shares trade publicly. We may also need other personal information in certain circumstances.

### **Security Selections**

#### **Equity Investments**

Equity investments may include investments in individual equities, equity mutual funds, and exchange traded funds. Our equity investment style could be characterized as growth at a very reasonable price. The key characteristics of the companies whose equities are selected should be:

1. Stable or growing returns on equity.
2. Stable or growing profit as a percentage of revenue.
3. Consistent growth in revenue over time.
4. Consistent growth in earnings per share (or cash flow per share) over time.
5. Low debt leverage compared to its peer group.
6. Management that created the track record of superior profitability still in place with the company.
7. Barriers to entry that keep competitors from entering the industry and competing away the superior profitability of the company.
8. In an industry that is understood.
9. Steadily increasing dividend over time.
10. Track record of over 5 years (or a management team that has equivalent experience).
11. Available in the market at a discount to historical trading ranges.

It is rare that a company possesses all of these characteristics. Professional judgment is exercised in selecting companies that meet many of these characteristics. Growing earnings (cash flow) enables companies to pay larger dividends over time. Consistent growth in dividends is important to achieving inflation-adjusted growth in income.

Equity mutual fund selections must be from funds with managers with superior track records who employ a successful investment management style (value, growth, and index). Where possible, F class mutual funds will be purchased. F class funds are the class of mutual funds that are only available to clients of fee for service advisors (such as Pacific Spirit Investment Management Inc.). Because F class funds do not pay trailer fees or commissions the management expense ratio is markedly lower than the regular class of the same fund that is available to the retail investor.

### **Fixed Income Investments**

Fixed income investments may include government bonds (federal, provincial, and municipal, and crown agencies), corporate bonds, fixed income mutual funds, money market funds, exchange traded fixed income funds, preferred shares, term deposits and guaranteed investment certificates, mortgage investment corporations, and mortgages.

Fixed income mutual funds selections must be from funds with managers with superior track records. Where possible, F class mutual funds will be purchased. F class funds are the class of mutual funds that are only available to clients of fee for service advisors (such as Pacific Spirit Investment Management Inc.). Because F class funds do not pay trailer fees or commissions the management expense ratio is markedly lower than the regular class of the same fund that is available to the retail investor.

We are required to assess the suitability of a security for an individual client account and we exercise our judgment in performing this assessment. In forming this judgment we assess the security's expected contribution to your investment objectives as outlined in your Investment Policy Statement, including: cash flow requirements, the security's liquidity, the contribution of the security to the risk of the portfolio, the ability of the security to provide increasing income, and the security's maturity date, if any. Adequate portfolio diversification and the tax treatment of any income and gains from the security are also considered. We will also consider your employment and business interests and any information known to us about investments held elsewhere by you.

Exchange traded funds, mutual funds, and mortgage investment corporations charge management fees that are deducted in determining the results of operations of the investment. In general, these fees are calculated as a percentage of total assets. We assess performance of these investments on an after-fee basis. These fees will affect your returns for as long as you own the investment. When you receive information about the value of your investment, the fees and expenses will have already been taken into consideration.

Most mutual fund and Mortgage investment corporation investments are subject to short-term trading fees of 2% of the value of units that you redeem, sell, or switch within periods ranging from 7 days to one year of purchase. In most circumstances, at the time of purchase we do not anticipate that you will pay these short-term trading fees as the intended hold period extends beyond the short-term trading period. Your actions, such as a change in draws from the portfolio or a change in your circumstances that requires a change in the portfolio may trigger these fees. There may be circumstances where even after paying the early trading fee the investment will provide superior returns to other viable alternatives and therefore the investment may be made knowing that the fee may be triggered.

We will implement only those investment strategies that we reasonably believe will not materially and negatively impact your best interests. Moreover, we will decline to implement an investment strategy requested by you if we reasonably believe that strategy will materially and negatively impact your best interests.

#### **Investment risks**

You should be aware of the risks involved when making investment decisions. They include the following non-exhaustive list:

**Price/Market Risk** – The value of your investments will fluctuate with market conditions. Several factors can influence market valuations, like economic developments, changes in interest rates, political changes, changes in foreign currency exchange rates, and catastrophic events. All investments are exposed to this risk.

**Currency Risk** – The value of your investments will fluctuate with changes in foreign exchange rates. Your portfolios may contain securities in another currency or trade in currencies other than the Canadian dollar.

**Credit Risk** – Credit risk is the risk that a counterparty to a financial instrument will fail to meet its commitments. Your portfolios may contain financial instruments like fixed income securities. The value of the fixed income security reflects the market's assessment of the counterparty's creditworthiness.

**Interest Rate Risk** – Prices of fixed income securities generally increase when interest rates decline and decrease when interest rates rise. This is known as interest rate risk. Prices of longer-term fixed income securities will generally fluctuate more in response to interest rate changes than short-term securities.

**Liquidity Risk** – Liquidity risk involves the ability to sell an asset for cash easily and at a fair price. Some securities are illiquid because of legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest

rate changes or market volatility, which could impair the ability to sell such securities quickly or at a fair price. Difficulty in selling securities could result in a loss or lower return.

**Inflation Risk** – Inflation risk refers to the ability of a security to produce returns that exceed the rate of inflation. If an investment does not provide a return greater than the rate of inflation, the holder of the security suffers an erosion of purchasing power over time. Fixed rate fixed income investments are particularly exposed to this risk, and the prices of longer-term fixed income securities will generally fluctuate more in response to inflation rate changes than short-term securities.

**Business Risk** – Business risk refers to the risks inherent in any business. These include competition, changes in laws, decisions made by management, structural changes in an industry, technological changes, new entrants, and others. Security prices will generally change in response to real or perceived changes in a business and the industry in which it operates.

**Using borrowed money to invest (leverage/margin)**

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. To what extent borrowing involves undue risk is a decision you must make, and it will vary depending on your circumstances and the securities being bought. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

You may buy securities with available cash, or a combination of cash and borrowed money. If you use only available cash, your gain or loss will equal the increase or decrease in the value of the security. Using borrowed money to buy securities magnifies the gain or loss. This effect is called leveraging. Let's say you use \$25,000 from available cash and borrow \$75,000 to purchase \$100,000 of securities. If the value of the securities declines by 10% to \$90,000, your equity interest (the difference between the value of the securities and the amount borrowed) will decline by 40%, from \$25,000 to \$15,000.

It is also important that you are aware of the terms of a loan secured by securities. The lender may insist that the amount outstanding on the loan not rise above an agreed percentage of the market value of the securities. If it does rise above the agreed percentage, you would have to pay down the loan or sell the securities to return to the agreed percentage. Using our example above, say the lender insists that the loan not exceed 75% of the market value of the securities. If the value of the securities declines to \$90,000, you must reduce the loan to \$67,500 (75% of \$90,000). If you don't have cash available, you would have to sell the securities at a loss to provide money to reduce the loan to the agreed percentage. Of course, you must also pay interest on the loan. If you are thinking of borrowing to invest, you should have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

## **Conflicts of interest**

A conflict of interest may arise when:

- Pacific Spirit or one of our Advisors have separate business or personal interests that differ from a client's interests,
- Pacific Spirit or one of our Advisors may be influenced to put their own interests ahead of a client's interests,
- Monetary or non-monetary benefits or disadvantages to Pacific Spirit or one of our Advisors might compromise a reasonable client's trust,
- There are differing interests amongst clients, resulting in preferential treatment for some in the operation and management of their account and execution of trades.

Generally, a conflict of interest is material if the conflict may be reasonably expected to influence either your decisions as a client or Pacific Spirit or its Advisors' recommendations or decisions in the circumstances. We address material conflicts of interest in your best interest.

Pacific Spirit seeks to identify and address material conflicts of interest through policies and procedures which include requiring all employees to avoid any situations in which their personal interests conflict or appear to conflict with the interests of a client. Our policies and procedures also include a broad definition of conflicts of interest, a defined escalation procedure for conflict handling, the appropriate resources, independence and authority for our Compliance Officers, and other internal controls to address conflicts of interest.

### **Avoiding Conflicts of Interest**

The most effective way to deal with potential conflicts of interest is to avoid them entirely. As a result,

- Pacific Spirit does not sell any proprietary product.
- Pacific Spirit does not receive any third-party compensation – your fee is the only income that we receive.
- Pacific Spirit does not give or receive any referral fees.
- Pacific Spirit does not invest client funds in any products that have embedded commissions payable to Pacific Spirit.
- Pacific Spirit does not have any soft dollar arrangements.
- Pacific Spirit does not purchase assets from clients outside the normal course of business.
- Neither Pacific Spirit Investment Management nor our affiliate 415277 BC Ltd. offer securities to the public.

### **Trading**

Employees of Pacific Spirit Investment Management Inc. must not prefer their own economic interests over the interests of a client or the interests of the firm when trading for their own accounts. All trading by employees must be pre-cleared by Pacific Spirit's Chief Compliance Officer, who will only approve the trading only if the firm does not intend to transact in that security on behalf of a client on the same day.

In the case of personal trading by the Deputy Compliance Officer or his spouse, all trades are subject to pre-approval by the Chief Compliance Officer. In addition, all trades for the Deputy Compliance Officer or his spouse will be entered on a last-in (for buys) or last-out (for sales), so that clients receive priority in trading.

In the case of personal trading by the Chief Compliance Officer, his spouse, family members, or 415277 BC Ltd. all trades are subject to pre-approval by the Deputy Compliance Officer. In addition, all trades for the Chief Compliance Officer, his spouse, family members, or 415277 BC Ltd., will be entered on a last-in (for buys) or last-out (for sales), so that clients receive priority in trading.

All employees are required to submit their personal brokerage accounts for review monthly.

#### Gifts and Entertainment

The firm has adopted the CFA Institute's guidelines limiting the acceptance of gifts, entertainment, compensation, or gratuities from external sources that would compromise the independence or objectivity of the Firm and/or its employees. While it is recognized that conducting business involves some modest exchange of gifts and business-related entertainment, the value of such gifts and entertainment must not create a real or perceived conflict of interest and must not impair the independence or objectivity of the recipient. Gifts and entertainment can neither be received nor given by an employee if they are considered to be frequent, excessive or extravagant.

In accordance with these guidelines, the firm does not allow employees, regardless of their affiliation with the CFA Institute, to accept from brokers, service providers, business associates, and/or clients, gifts or entertainment that are reasonably expected to compromise the employee's independence or objectivity. Reasonable judgment by the employee must be exercised in all circumstances. In the event that an employee receives any gratuities and/or gifts that could possibly be viewed as impairing their independence or objectivity and/or is above the firm's pre-determined per-item threshold of \$400 or an annual maximum of \$800 from the same gift source, the employee must immediately advise the Chief Compliance Officer, who will determine if the gift poses a potential conflict of interest and whether it would be reasonably expected to impair the employee's independence or objectivity. If the gift does present a conflict of interest, the gift will be returned, otherwise it may be kept. The Chief Compliance Officer may also consult with the Board of Directors of the firm to determine actions required, if any, to address the potential conflict of interest. These guidelines do not preclude acceptance of

customary, ordinary, business-related entertainment and/or token gifts (including promotional items), so long as the purpose is not to influence any employees and they are of nominal value. Participation in business-related entertainment opportunities are permitted as long as there is a representative from the hosting organization present and the event includes business discussions and/or opportunities for building business relationships. The acceptance of cash gifts (including gift certificates and pre-paid credit cards), securities or loans, however, is strictly prohibited.

The firm may provide gifts or entertainment to the firm's clients, service providers, brokers, etc., as long as the value is below the firm's pre-determined monetary threshold, or it is pre-approved by the Chief Compliance Officer, and it does not give rise to an actual or perceived conflict of interest.

#### Outside Activities

All registered employees must disclose their outside activities as required by securities legislation. If an employee is registered, he or she must not engage in reportable outside activities without the permission of Pacific Spirit. The firm will not permit outside activities that will result in non-compliance with securities or other legislation, where there is a risk to good faith dealings with clients, or that may damage the firm's best interests.

If the Chief Compliance Officer approves the outside activities, the firm will regularly monitor the employee's outside activities to ensure that there is no risk to the firm or its clients.

#### Tailored Investment Management Agreement

Pacific Spirit Investment Management Inc. uses a standard investment management agreement which is tailored to each individual client. The modifications to the standard agreement may include modifications to Appendix A (Investment Policy Statement) and our fee schedule. Fees may be adjusted to reflect the size of the assets under management for an individual, a family unit, or an extended family unit, the nature of assets transferred into the account, large cash balances, the financial stability of the client, whether the client is a non-profit organization, and for other reasons. We reserve the right, on a client-by-client basis or for all clients as a whole, to charge less than the agreed fee when we, in our sole opinion, feel that this is fair in the circumstances.

#### Fair Allocation of Investment Opportunities

Our principal determining factor in allocating investment opportunities among our managed accounts is suitability according to the investment objectives of each account. No single account or type of account receives preference.

When we place orders for more than one account as a combined or block order and transactions are executed at varying prices, we use our best efforts to treat all clients fairly and reasonably in

the context of the nature of that transaction and the transaction costs. Generally, we determine an average price for the combined order and allocate the costs among the accounts participating in the order.

When we place orders for more than one account as a combined or block order and less than the total order is executed in a single market session, we will try to allocate the order on a pro rata basis as far as possible. However, we also consider the following:

- Maintaining board lot positions
- The proportion of the portfolio (or portfolio section) that the security represents
- The weight of the industry or security type in the portfolio or portfolio section
- The cash reserve position in the portfolio or portfolio section
- Trading costs
- Such other factors as may be relevant to the order in question

For initial public offerings, if there is interest indicated for more than one account at a particular brokerage firm and less than the total amount of interest is available through that brokerage firm, we will try to allocate subscriptions on a pro rata basis as far as possible. However, we also consider the following:

- Maintaining board lot positions
- The proportion of the portfolio (or portfolio section) that the security represents
- The weight of the industry or security type in the portfolio or portfolio section
- The cash reserve position in the portfolio or portfolio section
- Trading costs
- Such other factors as may be relevant to the order in question.

#### Personal Relationships and Personal Financial Dealings with Clients

There is a potential conflict of interest where a close personal relationship exists between an Advisor and a Client. Advisors are prohibited from accepting appointments of fiduciary roles (e.g., power of attorney, executor, trustee, administrator, committee, or other positions of influence) for a client, except with respect to immediate family members. Advisors are prohibited from entering into personal financial dealings with clients including lending, borrowing, private investment schemes, and sharing an account with a client (e.g. an investment club), except with respect to immediate family members.

**Referral arrangements** - We don't, and we won't, pay or receive commissions for any investment or product we recommend to you or buy on your behalf.

**Complaints** - If you have a complaint about any trades, we've made for you or advice we've given you, we will make independent dispute resolution

#### Help us resolve your complaint sooner

- Make your complaint as soon as possible.
- Reply promptly if we ask you for more information.
- Keep copies of all relevant documents, such as letters, emails and notes of conversations with us.



services available to you, for which we will pay. The independent dispute resolution service mandated by regulators is the Ombudsman for Banking Services and Investments (OBSI). Our complaint process is as follows:

### **Filing a complaint with us**

If you have a complaint about our services or a product, contact us at:

John S Clark, Chief Compliance Officer	Email: <a href="mailto:johnsclark@pacificspirit.ca">johnsclark@pacificspirit.ca</a>
Pacific Spirit Investment Management Inc.	Phone: 604-687-0123
1100 – 800 West Pender, Vancouver BC V6C 2V6	Fax: 604-687-0128

Please tell us what went wrong, when it happened and what you expect, for example, money back, an apology, or account correction. You may want to consider using a method other than email for sensitive information.

**We will acknowledge your complaint** - We will acknowledge your complaint in writing, as soon as possible, typically within 5 business days of receiving your complaint. We may ask you to provide clarification or more information to help us resolve your complaint.

**We will provide our decision** - We will normally provide our decision in writing, within 90 days of receiving a complaint. It will include a summary of the complaint, the results of our investigation, our decision to make an offer to resolve the complaint or deny it, and an explanation of our decision.

**If our decision is delayed** - If we cannot provide you with our decision within 90 days, we will inform you of the delay, explain why our decision is delayed, and give you a new date for our decision. You may be eligible for the independent dispute resolution service offered by the Ombudsman for Banking Services and Investments (OBSI).

**If you are not satisfied with our decision** - You may be eligible for OBSI's dispute resolution service. If you are a Québec resident, you may consider the free mediation service offered by the Autorité des marchés financiers.

**Taking your complaint to OBSI** - You may be eligible for OBSI's free and independent dispute resolution service if we do not provide our decision within 90 days after you made your complaint, or you are not satisfied with

### **A word about legal advice**

- You always have the right to go to a lawyer or seek other ways of resolving your dispute at any time.
- A lawyer can advise you of your options.
- There are time limits for taking legal action.
- Delays could limit your options and legal rights later on.

our decision. OBSI can recommend compensation of up to \$350,000.

OBSI's service is available to clients of our firm. This does not restrict your ability to take a complaint to a dispute resolution service of your choosing at your own expense, or to bring an action in court. Keep in mind there are time limits for taking legal action.

### **Who can use OBSI?**

You have the right to use OBSI's service if:

- your complaint relates to a trading or advising activity of our firm or by one of our representatives
- you brought your complaint to us within 6 years from the time that you first knew, or ought to have known, about the event that caused the complaint, and
- you file your complaint with OBSI according to its time limits below

### **Time limits apply**

- If we do not provide you with our decision within 90 days, you can take your complaint to OBSI any time after the 90-day period has ended.
- If you are not satisfied with our decision, you have up to 180 days after we provide you with our decision to take your complaint to OBSI.

### **Filing a complaint with OBSI**

Email: [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca)

Phone: 1-888-451-4519 or 416-287-2877 (in Toronto)

OBSI works confidentially and in an informal manner. It is not like going to court, and you do not need a lawyer. During its investigation, OBSI may interview you and representatives of our firm. We are required to cooperate in OBSI's investigations. Once OBSI has completed its investigation, it will provide its recommendations to you and us. OBSI's recommendations are not binding on you or us.

OBSI can recommend compensation of up to \$350,000. If your claim is higher, you will have to agree to that limit on any compensation you seek through OBSI. If you want to recover more

### **Information OBSI needs to help you**

OBSI can help you best if you promptly provide all relevant information, including:

- your name and contact information
- our firm's name and contact information
- the names and contact information of any of our representatives who have been involved in your complaint
- details of your complaint all relevant documents, including any correspondence and notes of discussions with us

than \$350,000, you may want to consider another option, such as legal action, to resolve your complaint. For more information about OBSI, visit [www.obsi.ca](http://www.obsi.ca).

### **Sending you statements**

Your account custodian will send you statements on our behalf, according to the agreement between you and the custodian. These statements will be sent to you monthly if there is activity in your account, otherwise they will be sent quarterly. The statements will detail, for the period, the date and type of transactions, if any, the name, number, and price of securities bought or sold, and the total value of each transaction and the period end security positions. The statements will also detail your account position for the period, including the name and quantity of each security, the market value of each security, the total market value of each security position, any cash balance, the total market value of all cash and securities, whether the account is covered under an investor protection fund, and which securities may be subject to a deferred sales charge when sold.

Both Pacific Spirit and the custodian are responsible for ensuring the information in the custodian's statement is complete and accurate. If you have any questions about the information in the dealer's statement, please contact us at 604-687-0123, [johnsclark@pacificspirit.ca](mailto:johnsclark@pacificspirit.ca), or 1100 – 800 West Pender Street, Vancouver, BC V6C 2V6.

Where we hold securities in trust for you, we will send you a statement quarterly or, if you request, monthly. Our statements will detail, for the period, the same particularized information for your securities that you receive from your custodian as described above.

When determining market value for your securities, the Securities Regulators require that we use a hierarchy of valuation methods that range from referring to a price quotation on a marketplace (e.g., TSX and NASDAQ) or an inter-dealer quotation (e.g., the over-the-counter market) to consistently applying a valuation method based on market data. The account statements will also provide you with position cost information so that you can compare the position cost for your securities to their market value. You must review the statements promptly and tell us and the custodian in writing if there are any errors.

### **Benchmarks and performance**

It is the Manager's opinion that the best way to benchmark your portfolio performance is against a personalized plan. A personalized plan is tailored to you and includes the key factors that will impact on your plan. When we report on performance, we will provide you with benchmark indices for comparison. When the Manager reports performance statistics for the Accounts, performance will be reported net of our fees.

At present we use the S&P TSX Composite index, the S&P 500 Index (in Canadian dollars), and the NASDAQ Composite index (in Canadian dollars) for our equity benchmarks and the Bank of America Merrill Lynch Canada Broad Market index for fixed income. Morningstar is our source for benchmark returns. In the event that Morningstar ceases to provide information on any of these indices we will substitute a similar index. Comparison to benchmark indices may provide

you with information about how your portfolio has performed compared to the general market indices.

### **Custody**

We have arranged for National Bank Independent Network™ (a trademark of National Bank of Canada, used under license by authorized third parties), “NBIN”, a division of National Bank Financial Inc., 130 King Street West, Suite 3000, Toronto Ontario, to provide custody services to those of our clients who choose to use them. Your custody agreement will be directly with them and subject to the terms and conditions, including fees, of your agreement with them.

NBIN is considered a qualified custodian by Canadian Securities Administrators and your publicly traded securities will be held in Canada in the name of their nominee and they will record your interest in a segregated account in their books. They will confirm to us and to you each trade that we direct on behalf of your account, and we reconcile our trading records against theirs daily. We will have electronic access to your account for the purpose of trading under your Investment Management Agreement. Electronic access to your account enables us to act for your benefit. Our authority is limited to viewing, trading, and transferring funds electronically to your bank account; we are not authorized to debit the account other than with respect to our fees and electronic transfers to your bank account. There is no risk to you, since we cannot remove funds or securities from the account. The custodian will purchase or sell securities under our direction and hold them for your account. NBIN is independent of our firm and is subject to regulatory oversight, minimum capital and insurance requirements.

NBIN offers administrative services including collection of dividends and interest, record keeping, safekeeping of securities, and reporting services including tax reporting slips.

Client assets are subject to risk of loss: (i) if the Custodian becomes bankrupt or insolvent; (ii) if there is a breakdown in the Custodian’s information technology systems; or (iii) due to the fraud, wilful or reckless misconduct, negligence or error of the Custodian or its personnel. There is always a risk that there will be a failure in the custodian’s systems, however, each custodian uses a proven system. NBIN is a member of the Canadian Investor Protection Fund which provides protection to investors from losses at member institutions (see <http://www.cipf.ca/> for a complete description of the Canadian Investor Protection Fund). NBIN is regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”). We have reviewed the Custodian’s reputation, financial stability, relevant internal controls and ability to deliver custodial services and have concluded that the Custodian’s systems of controls and supervision are sufficient to manage risks of loss to client assets in accordance with prudent business practice.

If you hold private securities, those securities will be registered in your name in the books of the relevant transfer agent or trustee. That information will be provided to you in the offering documents. For some private offerings this may be the only method available to hold the security. Syndicated mortgages are registered in the name of a licensed mortgage broker who holds the investment in trust for each investor. Investments held away from a brokerage firm are

not eligible for protection under the Canadian Investor Protection Fund. Client assets are subject to risk of loss: (i) if the Custodian becomes bankrupt or insolvent; (ii) if there is a breakdown in the Custodian's information technology systems; or (iii) due to the fraud, wilful or reckless misconduct, negligence or error of the Custodian or its personnel.

### **At Risk Clients**

At Risk Clients are those clients who are at risk of loss or financial exploitation because they do not or no longer sufficiently understand their financial position or the effects of their financial and/or legal decisions or who are distanced from their financial decision making by reason of illness, impairment, disability, or aging-process limitations.

The firm may contact the client's trusted contact person, if the client has provided information about one, to confirm or enquire about any of the following:

- The client's contact information
- The name and contact information of the client's legal representative
- Concerns about the client's capacity to make financial decisions
- Concerns about possible financial exploitation

The firm may place a temporary hold on an account when the firm reasonably believes:

- the client is a vulnerable client and financial exploitation of the client has occurred, is occurring, has been attempted or will be attempted; and/or
- with respect to an instruction given by the client, that the client does not have the mental capacity to make the financial decision.

The firm will:

- Document the facts that caused the firm to place and/or continue the temporary hold;
- Provide notice (in the required form) of the temporary hold and reasons for such hold to the client, as soon as possible following the date the hold was initially placed;
- Review the facts that caused the temporary hold to be placed, both as soon as the hold was initially placed and until the hold is terminated;
- Within 30 days of placing the temporary hold, and unless the hold has been previously terminated, within every subsequent 30-day period, take either of the following actions:

- Terminate the temporary hold, or
- Provide the client with notice of the firm's decision to not terminate the hold and reasons for that decision;
- Ultimately terminate the temporary hold and decide to proceed or not proceed with the purchase or sale of a security or withdrawal or transfer of cash or securities.

### **Communicating with you**

We will communicate with you by mail, phone, or email. You may at any time withdraw any consent you've given us to send you email and we will stop sending emails to you 10 days after you withdraw your consent.

### **Our fees for Investment Management Services**

First \$1,000,000 of assets	1.00% per annum
Second \$1,000,000 of assets	0.75% per annum
Next \$3,000,000 of assets	0.65% per annum
Next \$5,000,000 of assets	0.50% per annum
In excess of \$10,000,000	negotiable

Fees are payable in arrears from the account, based on the quarter-end market value.

Investment returns will be reduced in proportion to our fees and charges.

We will give you 60 days' written notice of our intention to increase fees.

### **Other Services**

Other services are on a negotiated fee basis, generally based on a fee per hour, plus out of pocket costs.

### **Our privacy policy**

Our privacy policy is available on our website by following the FAQs link at the bottom of our Home page. We will also provide you with a copy on request. Pacific Spirit may hold data with cloud service providers in the United States and other jurisdictions.

### **Termination of services**

Our clients may terminate their relationship with Pacific Spirit Investment Management Inc. at any time without notice. Pacific Spirit Investment Management Inc. is required to provide a minimum 30 days' notice to terminate the relationship.

### **Governance and Ownership**

Directors	John and Sharan Clark	<a href="mailto:johnsclark@pacificspirit.ca">johnsclark@pacificspirit.ca</a>
Chief Compliance Officer	John S Clark	<a href="mailto:johnsclark@pacificspirit.ca">johnsclark@pacificspirit.ca</a>

Deputy Compliance Officer	Dennis Wan	<a href="mailto:dfw@pacificspirit.ca">dfw@pacificspirit.ca</a>
Ultimate Designated Person	John S Clark	<a href="mailto:johnsclark@pacificspirit.ca">johnsclark@pacificspirit.ca</a>

The voting shares of Pacific Spirit Investment Management Inc. are owned by John S Clark. 415277 BC Ltd., and the Clark Family Trust (2015) own non-voting shares of Pacific Spirit Investment Management Inc. John S Clark owns all the outstanding shares of 415277 BC Ltd. 415277 BC Ltd. is considered a related party to Pacific Spirit Investment Management Inc.

Updated: February 20, 2023