



CELERNUS INVESTMENT PARTNERS INC.

RELATIONSHIP DISCLOSURE DOCUMENT

Effective January 1, 2013



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As a registered firm, Celernus Investment Partners Inc. (“**Celernus**” or the “**Firm**”) is obligated under National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”) to make certain disclosures to you before we provide you with any advisory services or you open an account with us. This information is provided to you in order to assist you with understanding the nature of your relationship with Celernus, and advise you of significant matters regarding your investment activities through Celernus.

1. **ABOUT CELERNUS**

Celernus is a private company incorporated in the Province of Ontario and registered with the Ontario Securities Commission as a Portfolio Manager and Investment Fund Manager. Celernus offers investment management and financial counseling services, and manages individual discretionary accounts and investment funds on behalf of Canadian individuals and institutions. Celernus is the Portfolio Manager and Investment Fund Manager of Celernus Absolute Growth Fund (the “**Fund**”), a unit trust fund established by way of a Trust Indenture under the laws of the Province of Ontario.

2. **NATURE OF OUR RELATIONSHIP**

The Portfolio Manager and Investment Fund Manager registrations, together with the Managed Investment Account Agreement, allow us to manage client assets on a “discretionary” basis. A managed account is an investment account which allows individuals to invest in a diversified portfolio of individual securities, which are owned directly by the investor. This portfolio of securities is managed by a professional Portfolio Manager according to a specific investment mandate chosen by the investor. Various Portfolio Managers manage the various investment mandates that are options within the managed account program. The names of the Portfolio Managers responsible for managing the various investment mandates in the managed account program will be provided to you when you open a managed account.

There are minimum investments for managed accounts, typically \$250,000 or higher. We will have a managed account relationship, which means that investment decisions in respect of those managed accounts will be made on a continuing basis by the applicable Portfolio Manager according to a specific investment mandate.

3. **TRADE SUITABILITY**

Celernus is obligated by law to ensure all trades and referrals are suitable for you prior to executing a transaction, or at any time, and we make this assessment by compiling information from our meetings with you, completion of financial and other information in the New Client Application Form, Investment Policy Statement (“IPS”) and the completion of brokerage forms as further discussed below.

We will make investment recommendations that are suitable based on your circumstances, investment objectives and risk tolerance as disclosed by you.

4. **KNOW YOUR CLIENT OBLIGATION**

Celernus is required to take reasonable steps to:

- (a) establish the identity of a client and, if we have any cause for concern, make reasonable inquiries as to the reputation of the client;
- (b) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded;
- (c) ensure that we have sufficient information regarding all of the following to enable us to meet our obligations under NI 31-103:
 - (i) the client’s investment needs and objectives;
 - (ii) the client’s financial circumstances;
 - (iii) the client’s risk tolerance, and
- (d) establish the creditworthiness of the client if we are financing the client’s acquisition of a security.

For the purpose of establishing the identity of a client that is a corporation, partnership or trust, Celernus must establish the following:

- (a) the nature of the client’s business;



- (b) the identity of any individual who,
 - (i) in the case of a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation, or
 - (ii) in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

We must take reasonable steps to keep the information required under this section current.

5. MAKING SURE WE KNOW OUR CLIENTS

Your portfolio is constructed based on information gathered during our meetings, discussions, completion of brokerage application forms, and is presented in your IPS. Securities regulators require us to keep up-to-date information on your personal financial situation such as:

- personal income
- employment information
- approximate net worth
- investment experience
- corporate profile
- investment objectives and goals
- risk tolerance
- financial circumstances

The personal information gathered during our initial meeting establishes your general investment goals and objectives, which is then documented in an investment objectives letter (“**Investment Policy Statement**” of “**IPS**”) that describes the strategies that Celernus will employ to meet these objectives and include specific information on matters such as asset allocation, risk tolerance and liquidity requirements. To the extent that your goals or circumstances have changed, a new IPS will be created to reflect those changes.

6. **INVESTMENT POLICY STATEMENT**

All clients of Celernus will have an IPS. This document is your personal “investment road map.” It integrates your goals and financial situation with key investment principles and themes so that the strategies are most likely to work for you. We also use the IPS to communicate important relationship disclosure information.

The IPS integrates much of the information found in the “know your client” information gathering process. With this information, we will put together an IPS that will help you:

- identify your objectives and establish investment guidelines for achieving them
- incorporate your time horizon and your personal wealth components into your investment strategies
- clarify your risk tolerance and incorporate it into your investments
- build an asset allocation that is right for you
- establish realistic expectations
- establish tax-efficient strategies
- better understand how we will work with you
- lay the groundwork for how we will monitor and report your portfolio performance

7. **DESCRIPTION OF SERVICES OFFERED BY CELERNUS**

As an Investment Adviser we manage portfolios on a discretionary basis within guidelines defined in your Managed Investment Account Agreement. Typically the Managed Investment Account Agreement reflects the objectives and risk tolerances for a family of accounts.

A family of accounts is a series of brokerage accounts controlled by a single investor, or jointly, if there is more than one investor within an immediate family (husband, wife, children), all falling under one Managed Investment Account Agreement, sharing the same investment objectives, risk tolerances, and portfolio mandate at the same underlying address.



We view a family of accounts as a single portfolio (single management agreement and one mandate), and structure it in such a way that each of the accounts when viewed separately may not reflect the asset mix within the Managed Investment Account Agreement, but when viewed in their entirety, would reflect the appropriate asset mix.

The Managed Investment Account Agreement provides us with the initial asset mix guidelines supported by your answers to questions in the initial meeting that you have with a registered Celernus adviser.

From the initial interview, we obtain information about you including your employment, financial position, income needs and risk tolerance. We use this information to prepare your Managed Investment Account Agreement to develop an investment portfolio that will meet your needs. Based on this information, as well as our ongoing information updating process and your obligation to inform us of changes in your investment objectives, we buy and sell securities within your account(s) that we believe are suitable to your needs without first asking your permission.

The cash and securities in your account(s) are not in our custody but rather are held in trading account(s) at National Bank Correspondent Network (NBCN is a division of National Bank Financial). NBCN has been chosen by Celernus to act as your custodian. It is important for you to understand that Celernus does not have access to your funds held at our custodian. The Managed Investment Account Agreement, which you sign, simply grants us authority to instruct the custodian to buy and sell securities in your account(s).

We are required under securities laws to adhere to certain requirements when we provide you with these services. These requirements include the following:

Statement and Duty of Care: We are required to act honestly, in good faith and always in your best interests.

Protect Your Privacy: We must keep all information that we obtain from you private and confidential within the context of managing and servicing your account(s) and any legal requirements we may have.



Account Statements: You will receive monthly brokerage statements directly from NBCN. These statements provide an accounting of your current holdings, and confirm all account activity (i.e. purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid, transfers, etc.) that occurred in your account(s) over the previous month.

The monthly account statement also provides you with Your Net Equity, which represents the net value of your portfolio if you had closed all positions as of the date on the statement. In addition to the monthly statement provided by NBCN, Celernus also provides a quarterly portfolio evaluation that includes a holdings report (including adjusted cost base and unrealized gains or losses), your portfolio's performance over various periods, and market commentary from your portfolio managers.

Fair Allocation: We act for many clients and are thus obligated to allocate investment opportunities among all of our clients in a fair manner so as to not intentionally favour one client over another.

Conflicts of Interest: We are required by securities laws to adopt policies and procedures in order to ensure the proper handling of conflicts of interest.

Best Execution: When we use our discretion to trade securities for your account, we seek to achieve the best possible result having regard to price of the security, speed of execution, quality of execution and total transaction cost. We currently believe exclusively directing trades to NBCN satisfies this requirement.

Use of Brokerage Commissions: When we instruct a dealer to trade securities in your account the dealer receives a trade commission that is paid from your account. We make sure that, when paying the trade commissions, we are not paying for goods or services from the investment dealer other than for order execution and research.



8. A DESCRIPTION OF THE FEES THAT WILL BE CHARGED

(a) Fees Charged by Celernus

Celernus earns fees for investment management services only. Our fees are collected monthly expressed as a percentage of the market value of assets under management as at the end of the preceding month. We believe that this fee arrangement aligns our interest with yours in that we will earn more fees if we assist you in growing the value of assets in your account. The fees that we charge are set out in Schedule "A" of the Managed Investment Account Agreement.

In some cases fees are withdrawn directly from your account. In other cases, fees and expenses are withdrawn directly from the applicable fund.

(b) Fees Charged by Other Service Providers

You should be aware of costs associated with trading securities in your portfolio. We execute trades through NBCN where your brokerage accounts reside. Accounts are charged a transaction fee of \$10 per trade plus a per share charge which varies between .25 cents and 3 cents per share based upon the price of the stock and means of execution.

Celernus has retained Convexus Managed Services ("**Convexus**") to provide shareholder record keeping and administrative services in the handling of your accounts and compensates Convexus accordingly.

NBCN may also levy additional fees in connection with the maintenance of your brokerage account. The long standing relationship between NBCN and Celernus has caused NBCN to waive some of these fees. You can obtain full disclosure of the range and amounts of these fees by referring to the fee pamphlet NBCN has provided to you along with copies of the forms you filled out to open NBCN brokerage accounts.

As custodian and trustee of your accounts, NBCN accommodates a wide variety of account types. You will find information on the breadth of these account types, as well as the particular accounts that have been opened for you, in **Section 4** of the New Client Application Form ("**NCAF**") that NBCN has provided to you.

(c) **Referral Fees and Arrangements**

When a client is referred to us by an individual (the “**Referring Party**”), whether or not the Referring Party is employed by Celernus, the Referring Party will receive a Referral Fee as set out in Schedule E to your Managed Investment Account Agreement. Celernus enters into written agreements with all Referring Parties. When a Referring Party is also an employee of Celernus, such agreements will be contained in the Referring Party’s employment agreement. If the Referring Party is not an employee of Celernus, Celernus will enter into a standalone referral agreement with the Referring Party. Such agreements will outline the material terms of our relationship, including the collection fees from the client by Celernus and the payment of such fees by Celernus to the Referring Party.

As far as managing your portfolio is concerned, Celernus may not legally delegate the responsibilities it has to you by virtue of being registered under the *Securities Act* (Ontario) as a Portfolio Manager and an Investment Fund Manager. Among its obligations, Celernus is responsible for ensuring that a proposed investment is suitable for its clients before making a recommendation or accepting instructions from a client. Therefore, if a Referring Party is not a registered individual on behalf of Celernus, the Referring Party is limited to performing the following tasks with respect to your managed portfolio at Celernus, subject to restrictions imposed by any additional registration categories or licenses held by Referring Party:

- Present the services of the Celernus managed accounts to qualified interested parties;
- Arrange Celernus seminars for qualified interested parties;
- Assist clients with the completion of forms and documentation;
- Maintain direct contact with clients and coordinate client service requests.
- Provide a planning type service to clients as permitted, this may include discussion of issues such as:
 - Asset allocation and risk tolerance in general terms;
 - Quarterly Portfolio Evaluation reports (where applicable);
 - Review investment objectives and Benchmark performance against aggregated portfolio performance based on commentary provided by Celernus;
 - Assist clients in arranging for deposits and withdrawals;



- Arrange for meetings with Celernus if requested by the client; and
- May attend client meetings with Celernus where the client has requested such meetings.

For additional clarity, if the referrer is not registered with the Ontario Securities Commission or other provincial Commission as either an Advising or Associate Advising Representative, as appropriate, such an individual may not perform any of the following services:

- (i) appraise the suitability of client portfolios or constituent holdings;
- (ii) appraise the effect of client lifestyle changes on client portfolios; and
- (iii) represent themselves as the source of investment-related decisions affecting client portfolios.

Information on the registration status of the relationship manager who has referred your account to Celernus is contained in the referral fee section of your Managed Investment Account Agreement.

As described above, your relationship manager may be a firm employee and/or registered with a securities regulator on behalf of Celernus. Because some of our employees gravitated to portfolio management from a variety of backgrounds, such as financial planning or insurance, they may continue to provide such services to their clients. Celernus does not require employees to sever existing relationships in the event those clients do not wish to have their portfolios managed by Celernus. To the contrary, we believe that existing relationships are best suited to cultivating the level of trust that is the cornerstone of discretionary portfolio management. We are nonetheless legally required to disclose these arrangements to avoid having such clients think they are dealing with independent parties with respect to Celernus. A description of the activities to be performed by each party to the Referral Agreement is set out in Appendix I “*Statement of Responsibilities and Reporting*” of your Managed Investment Account Agreement.



If there is a change to the information regarding referral arrangements disclosed to you above, Celernus must ensure that written disclosure of that change is provided to you as soon as possible and no later than the 30th day before the date on which a Referral Fee is next paid or received.

(d) Additional Compensation

To the extent that Celernus determines it to be in the interests of its clients to engage the services of, or invest in financial products offered by, another service provider, including NBCN, in return for compensation, Celernus would be subject to a conflict of interest that must be addressed in a manner prescribed by legal requirements.

These requirements stipulate that Celernus must ensure that if it selects or refers another service provider to assist a client of Celernus, it is based on the determination that such other service provider is an appropriate selection having regard to the client's circumstances. In addition, to the extent that any fees are to be paid by a service provider to Celernus, the Firm will follow the disclosure requirements of existing legislation that governs referral arrangements.

An example of this type of compensation can be found in our use of "satellite accounts." If you choose to open a satellite account, we provide you with written documentation outlining how we address conflicts associated with such accounts.

Celernus makes available to clients so-called "satellite accounts" as a place to hold securities that are not part of Celernus' investment mandate. The objective is to provide clients with a platform on which the clients can hold all of their liquid financial assets.

The satellite account is particularly useful for retiring corporate executives who may have stock options that they may not want to exercise immediately. Those stock options can be held at no cost in a satellite account.

Another example would be clients who hold a stock with a large capital gain. It may be punitive from a tax perspective, to sell the shares at the time of transition to Celernus. The satellite account can be used to custody the securities.

9. **INVESTMENT RISKS**

The following is a summary of the risks of investing in junior and private securities. Please note that this list is not exhaustive, and has been provided to give you an indication of the factors that can affect the value of the securities you purchase.

You should be comfortable about where your money is invested. This requires you to think about and understand your own risk tolerance and the risk level of your investments. Most importantly, the value of your portfolio is not guaranteed. As such, the greatest risk to you as an investor is that you could lose all or part of your investment. Unlike bank accounts or guaranteed investment certificates, stocks, bonds, money market securities and funds are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Accounts hold different kinds of investments depending on their investment objectives. The value of investments in any account will fluctuate on a daily basis, reflecting changes in interest rates, economic conditions and markets as well as company news. The net equity of your portfolio will rise and fall, which means that the value you receive when redeeming your portfolio may be more or less than its value when you bought it.

The following is a list of material risks which may affect the various investment strategies employed by Celernus. Please do not hesitate to contact your Portfolio Manager should you wish to review any of the specific risks which relate to you.

(a) **Risk-return trade off**

Risk and return are closely related. This means that to obtain a higher return, you may have to accept a higher level of risk. A higher risk portfolio will fluctuate more than a lower risk portfolio. It is therefore important to understand what we mean by “fluctuation”: within a given period of time, a security may fluctuate, that is, it may suffer losses and realize gains. High-risk investments generally offer higher long-term returns than safer ones. Since they fluctuate more, high risk investments may post more negative short-term returns, compared to lower-risk investments.

(b) Risks relating to concentration

If an account invests a large proportion of its assets in securities issued by one issuer, in a single asset class or in a single sector, it will have risk relating to concentration. When an account is not diversified, it could experience greater volatility and will be strongly affected by changes in the market value of these securities. Celernus strives to mitigate concentration risk by investing clients in broadly diversified portfolios.

(c) Risks relating to credit

An account can lose money if the issuer of a bond or other fixed income security cannot pay interest or repay principal when it comes due. This risk is higher if the fixed income security has a low credit rating or no rating at all. Fixed income securities with a low credit rating usually offer a higher yield than securities with a high credit rating but they also have the potential for substantial loss. These are known as “high yield securities”. Celernus strives to mitigate so called “default risk” by purchasing on behalf of clients, only investment grade fixed income securities.

(d) Risks relating to companies listed on stock markets

The value of an account will increase or decrease with the market value of the securities in it. If an account holds stocks, the value of its securities will fluctuate with the market value of the stocks it holds. The market value of a stock will fluctuate according to the performance of the company that issued the stock, economic conditions, interest rates, stock market tendencies and other factors. Historically, equity securities are more volatile than fixed income securities. Securities of small market capitalization companies are typically, though not always, more volatile than securities of large market capitalization companies.

(e) Risks relating to interest rate fluctuations

Investments are affected by interest rate fluctuations. A drop in interest rates may reduce the return of money market securities. An increase in interest rates may reduce the return of accounts holding debt or fixed income securities.

(f) **Risks relating to currency**

Whenever an account buys assets in a currency other than the base currency (for Canadians this is generally Canadian dollars), there are risks relating to exchange rates. As the currency changes in value against the other currencies, the value of the portfolio securities purchased in those other currencies will fluctuate.

Some client accounts denominate the value of their securities in Canadian dollars, but invest in different currencies. The value of their securities will fluctuate as foreign currencies change value in relation to the Canadian dollar. Some client accounts denominate the value of their securities in both U.S. and Canadian dollars. The value of their securities denominated in Canadian dollars will fluctuate in relation to the U.S. dollar.

All reports provided to you by either NBCN or Celernus, including quarterly performance evaluations and month end brokerage statements show the value of your holdings in Canadian dollars.

(g) **Risks relating to fund on fund**

When an account invests some or all of its assets in securities of a pooled or mutual fund (an “**underlying fund**”), the underlying fund may have to dispose of its investments at unfavourable prices to meet the redemption requests of the portfolio. This could have a harmful effect on the performance of the underlying fund that faces a large redemption. Since the performance of your portfolio is directly linked to the performance of the underlying funds, it is therefore subject to the risks of the underlying funds in proportion to the amount of its investment in the underlying funds. It is the practice of Celernus to mitigate such risks by holding small amounts of cash or cash equivalents inside any fund managed by Celernus. That cash or cash equivalent position can be used to meet redemptions when required.

(h) **Risk relating to liquidity**

Liquidity refers to the speed and ease with which an asset may be sold and converted into cash. Most of the securities held by an account may be sold easily at a fair price and thus are considered relatively liquid. However, an account may invest in securities which are not liquid, i.e., which may not be sold quickly or easily. Some securities may not be liquid because of legal restrictions, the nature of the investment or certain characteristics of the security. The lack of purchasers

interested in a given security or market could also explain why a security may be less liquid. If there is difficulty selling illiquid securities, it may result in a loss or a reduced return for an account.

Celernus typically invests only in liquid securities that have historically had large average daily trading volume. We seek out investments where we are able to easily enter and exit positions.

(i) Risks relating to foreign investments

Accounts that invest in foreign countries may face increased risk because the standards of accounting, auditing and financial reporting in these countries are not as stringent as in Canada and the U.S. These countries may receive less complete information the securities they buy. A change of government or a change in the economy can affect foreign markets. Governments may impose exchange controls or devalue currencies. This would restrict the ability of a portfolio manager to withdraw investments. Some foreign stock markets are less liquid and more volatile than the North American markets. If a market has lower trading volumes, it can restrict the portfolio manager's ability to buy or sell securities. This increases the risk for an account that only invests in foreign securities. Celernus managed portfolios do not have an overly large concentration of assets in emerging markets.

(j) Risks relating to small companies

Small companies can be riskier investments than larger companies. For one thing, they are often newer and may not have a track record, extensive financial resources or a well established market. This risk is especially true for private companies or companies that have recently become publicly traded. They generally do not have as many shares trading in the market, so it could be difficult to buy or sell small companies' stock when it needs to. All of this means their share prices can change significantly in a short period of time. Celernus managed portfolios do not have an overly large concentration of assets in small companies.

(k) Risks relating to specialization

Some clients prefer to mandate to invest in a particular industry or geographic area. When an account specializes in this way, it can be more volatile. Specialization lets the Portfolio Manager focus on specific areas of the economy, which will affect the performance of the portfolio depending upon changes in the sector and

the companies in the sector. Events or developments affecting that sector or part of the world may have a greater effect on the portfolio than it had been more diversified. Celernus' managed portfolios do not have a concentration of assets in specific sectors.

(l) Risks of using borrowed money (leveraging) to finance the purchase of a security

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. 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.

Securities may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the security in full, the percentage gain or loss will equal the percentage increase or decrease in value of the security. The purchase of a security using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging. For example, if \$100,000 of securities are purchased and paid for with \$25,000 from available cash and \$75,000 from borrowings, and 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) has declined by 40% i.e. from \$25,000 to \$15,000.

It is apparent that leveraging magnifies gains or losses. It is important that an investor proposing a leveraged purchase of securities be aware that a leveraged purchase involves greater risk than a purchase using cash resources only. To what extent a leveraged purchase involves undue risk is a determination to be made on an individual case basis by each purchaser and will vary depending on the circumstances of the purchaser and the security purchased. 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 fall below an agreed percentage of the market value of the securities. Should this occur, the borrower must pay down the loan or sell some of 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 securities. On a decline of value of the securities 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 securities to provide money to reduce the loan.

Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who leverage 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.

(m) Risks relating to asset-backed and mortgage-backed securities

Asset-backed securities and commercial paper (“**ABCP**”) are debt obligations that are backed by pools of consumer or business loans. Mortgage-backed securities are debt obligations backed by pools of mortgages on commercial or residential real estate. If there are changes in the market’s perception of the issuers of these types of securities, or in the creditworthiness of the parties involved, then the value of the securities may be affected. There is also a risk that there may be a drop in the interest rates charged on mortgages, a mortgagor may default on its obligations under a mortgage or there may be a drop in the value of the property secured by the mortgage.

(n) Risks relating to securities lending transactions

Clients and funds may, for a fixed period of time, lend securities of their portfolio in exchange for collateral. To limit the risks, the client will negotiate with its custodian the following: a value of assets given as collateral, minimum level percentage coverage of the loaned securities and the type of collateral provided to the client.

The risk associated with securities lending transactions is mainly the borrower’s inability to pay the necessary consideration to maintain the collateral at the determined percentage. The client’s account could sustain a loss if the borrower is unable to return the loaned securities by the end of the agreed upon period and the market value of the securities loaned increases before the account buys back the securities. In this case, the collateral will no longer be sufficient to purchase the same securities on the market. Consequently, the client or fund will have to use the money in the account to buy back the securities and will sustain a loss. This risk can be minimized by selecting borrowing parties with solid credentials, which have undergone a stringent credit evaluation. Celernus does not typically enter securities lending programs.

(o) **Risks relating to derivatives**

Derivatives are investment instruments such as futures and options. Usually, derivatives grant the right or require the holder to buy or sell a specific asset during a certain period of time. There are several types of derivatives, each based on an underlying asset sold in a market or on a market index. A stock option is a derivative in which the underlying asset is the security of a major corporation. There are also derivatives based on currencies, commodities and market indexes.

In the industry, Portfolio Managers seek to improve the rate of return of portfolios by using derivatives and accepting a lower, more predictable rate of return through hedging transactions, rather than a higher but less predictable potential rate of return. This is called hedging.

Derivatives may also be used to reduce the risk of currency fluctuations, stock market volatility and interest rate fluctuations. However, there is no guarantee that using derivatives will prevent losses if the value of the underlying investments falls. In some cases, derivatives may be used instead of direct investments. This reduces transactions costs and can improve liquidity and increase the flexibility of an account.

Derivatives may also be used for non-hedging purposes. Derivatives can help increase the speed and flexibility with which trades may be executed, but there is no guarantee that using derivatives will result in positive returns. Accounts that use derivatives also face a credit risk.

The following are examples of risk relating to the use of derivatives:

- The use of derivatives to reduce risk associated with foreign markets, currencies or specific stocks, called hedging, is not always effective. There may be an imperfect correlation between changes in the market value of the investment being hedged and the hedging derivative.
- There is no assurance that Portfolio Managers will be able to sell the derivatives to protect a portfolio. An over-the counter market may not exist or may not be liquid. Derivatives traded in foreign markets may be less liquid and therefore have more risk than derivatives traded in North American markets.

- There may be a credit risk associated with those who trade in derivatives. The account or fund may not be able to complete settlement because the other party cannot honour the terms of the contract.
- There may be credit risk from dealers who trade in derivatives, such as a dealer going bankrupt.
- □A securities exchange could impose daily limits on trading of derivatives, making it difficult to complete an option or futures contract.
- If an account or fund is unable to close out its position on options and futures contract, this can affect its ability to hedge against losses.
- The price of derivatives based on a stock index or futures contracts could be distorted if trading in some or all of the stocks that make up the index is interrupted.
- If trading in stock index options or futures contracts is restricted by a stock exchange, the account or fund could experience substantial losses.

10. **DISCLOSURE OF CONFLICTS**

(a) **Conflict of Interest**

Celernus has policies and procedures in place to address the handling of conflicts of interest. A conflict of interest arises where an action or decision by us has the effect of benefiting us at your expense. In situations where our interest may compete with your interest, your interest is always given priority. We summarize the conflicts of interest that have been referred to at various points throughout this document as follows:

- **Conflict:** Celernus' employees are allowed to trade their own accounts.
Resolution: Celernus has policies and procedures to monitor and pre-approve staff trading activities that will serve to minimize the risk that staff orders may front run portfolio orders or are otherwise in conflict or detrimental to the interests of the portfolios under administration.

- **Conflict:** External relationship managers are paid ongoing referral fees for the introduction of managed accounts.
Resolution: Celernus will ensure clients receive full disclosure of this arrangement in the Managed Investment Account Agreement, that they execute with Celernus.
- **Potential Confusion:** Client's may be confused about the respective roles and responsibility of Celernus versus the relationship manager who provides general financial planning services.
Resolution: Celernus will ensure clients receive full disclosure of the respective roles of each party in the Managed Investment Account Agreement that they execute with Celernus and in the Relationship Disclosure Information document that is provided to all clients.

(b) Addressing of Conflicts of Interest

The Firm may adopt one or more of the following measures or procedures when addressing conflicts of interest:

- Control of information: preventing or controlling the exchange of information between opposing sides of a conflict of interest, for example, by establishing an ethical wall.
- Separate supervision: ensure that employees on opposite sides of a conflict of interest are supervised by different people.
- Neutralizing financial incentives: removing the financial incentive of an employee to favour a particular product or service.
- Removing inappropriate influence: preventing one employee from inappropriately influencing another employee where such influence could impair integrity or judgment.
- Segregation of tasks: controlling the simultaneous or sequential involvement of employees in separate tasks or services.



(c) **Use of Client Brokerage Commissions**

The purchase and sale of portfolio securities will be arranged through registered brokers or dealers selected on the basis of Celernus' assessment of the ability of the broker or dealer to execute transactions promptly and on favourable terms, and the quality and value of services provided by the broker or dealer, such as research, statistical and other services used in assessing potential investments.

Celernus custodies all securities including any securities held within Celernus Absolute Growth Fund at NBCN. As part of this arrangement NBCN provides our clients with all types of registered accounts and does not charge trustee fees on any such accounts.

Because of this custody arrangement, all securities bought or sold through other brokers must be delivered to the Celernus average price account at NBCN. For this service, NBCN charges \$45 per delivery, and a subsequent \$35 fee when allocating assets to client accounts.

If the same security is purchased or sold through NBCN, there is no \$45 delivery charge. NBCN will only charge the \$35 allocation fee to client accounts. As such, it is rare that we would find another broker who would be willing to execute a buy or sell at a cost that is less than we pay to execute through NBCN.

Further, Celernus typically invests only in blue chip liquid securities that have tight bid asked spreads. Because we are trading liquid securities and the fact that NBCN directs Celernus orders to all exchanges, we believe NBCN provides best execution services.

Celernus constantly reviews its relationship with NBCN and from time to time confirms transaction costs through third party brokers, so as to ensure that we are meeting our best execution obligation. Clients may obtain a list of such third parties, as well as any services they have provided, by contacting Celernus directly.

11. **FAIR AND EQUITABLE ALLOCATION**

The principal determination used in allocating investment opportunities amongst managed accounts is the suitability of purchase and sale transactions as determined by the unique needs and circumstances of clients as set out in the Managed Investment Account Agreement established for you. Celernus' policy is that no single account will receive preference in the allocation of investment opportunities.



When orders for more than one account are entered as a combined order and transactions are executed at varying prices, the shares are accumulated in the Celernus average price account. Once the order has been completed, an average price is determined and Celernus allocates the securities to client accounts at the average price.

When orders for more than one account are entered as a combined order and less than the total of one order is executed as a block, Celernus will generally attempt to make allocation pro rata on the basis of order size. However, we also take into consideration the return expectations and risk reduction benefits a new security brings to the portfolio, and may allocate based on that assessment rather than a pro-rata assessment.

Celernus will endeavour to ensure that the orders and modification or cancellation of orders are recorded in electronic form or in writing and time-stamped. Subject to market conditions and stock exchange procedures, Celernus will use its best efforts to ensure that orders are processed and executed on a first-in, first-out basis.

The foregoing procedures will be revised from time to time in keeping with changes in regulatory requirements and industry practices.

12. **REPORTING COMPLAINTS/DISPUTE RESOLUTION SERVICES**

If you have any concerns that your dealings with Celernus are not in accordance with securities law, or that a staff member is acting illegally or unethically, please let us know. Please direct any concerns or complaints to Celernus' Managing Partner, Gordon Martin. We request the following types of complaints be submitted in writing:

- (a) allegations of compliance-related violation or a violation of industry rules, best practices guidelines or securities laws;
- (b) complaints which involve the Firm's or a registrant's sales practices.



Please e-mail complaints directly to gmartin@celernus.com, or mail to:

Mr. Gordon Martin
Celernus Investment Partners Inc.
10 Four Seasons Place, Suite 1027
Toronto, Ontario M9B 6H7

Your complaints will be responded to immediately and resolved in a timely manner. Where the complaint cannot be resolved to your satisfaction, Celernus offers a third party dispute resolution process at no cost to you.



13. **PRIVACY POLICY**

THIS PRIVACY POLICY APPLIES ONLY TO INDIVIDUALS.

The *Personal Information Protection and Electronic Documents Act* (the “**Act**”) regulates the way private sector organizations collect, use and disclose personal information. It does not apply to either corporate or not-for-profit organizations.

Its main objective is to ensure personal information collected from clients is used for the stated purpose and to safeguard such information.

“Personal Information” is defined as information about an "identifiable individual". This includes such things as age, weight, height, medical records, income, education, home address and phone number. It does not cover general contact information such as name, title, business address, business phone number, etc.

Information that Celernus has collected for completion of the New Client Application Form is subject to the requirements of the Act.

Celernus recognizes the importance of privacy and recognizes the sensitivity of personal information received by it in the conduct of its business. This policy has been prepared with this objective in mind.

(a) The need for Personal Information

We have collected Personal Information to meet certain regulatory requirements and to help us comply with securities and federal anti-money laundering regulation. This information will necessarily include personal information about our clients and, in certain cases, about individuals other than you. (e.g. information on person with trading authority.)

(b) Collection, Use and Disclosure of Personal Information

Where practical, Celernus will try to collect personal information directly from the person to whom the information pertains. However, where appropriate, we may collect personal information from publicly available sources. We will collect only the personal information necessary for the purposes stated in the section titled, “The Need for Personal Information.”



The Act provides that an individual is deemed to consent to the collection, use or disclosure of personal information for a specific purpose, if the individual voluntarily provides the information for that purpose, and it is reasonable that a person would voluntarily provide that information.

By transacting through Celernus, we consider that you have consented to our collection, use or disclosure of personal information as necessary to properly represent you in these financial and investment matters.

Where necessary to fulfill our regulatory obligations, we may collect personal information about individuals other than you as a client in accordance with the provisions of PIPEDA. When we collect personal information about individuals directly from them, except in situations when their consent to the collection is deemed, we will tell them the purpose for which the information is collected.

Obtaining consent from the individual is a key element of the Act. However, this obligation is not absolute. The Act also permits us to collect, use or disclose personal information about an individual in some circumstances, without the individual's consent. Such circumstances include (but are not limited) to where:

- The collection, use or disclosure is clearly in the interests of the individual and consent cannot be obtained in a timely way;
- Collection, use, or disclosure is reasonable for the purposes of an investigation or proceeding;
- The personal information is available to the public from a prescribed source; or
- The collection, use, or disclosure is required or authorized by a Federal or Provincial statute or regulation.

When we collect, use or disclose personal information, we will make reasonable efforts to ensure that it is accurate and complete. The Act also allows us, for legal or business purposes, to retain personal information for as long as is reasonable, but also imposes obligations upon us to ensure that procedures are in place to destroy the personal information when it is no longer required.

(c) Security of Personal Information

We recognize our professional and legal obligations to protect the confidential information of our clients. We also recognize our legal obligations to protect the personal information we have gathered about our clients, and about other individuals during the course of our business.

Celernus has implemented policies and procedures to secure against the unauthorized access, collection, use, disclosure, copying, modification, disposal or destruction of personal information.

(d) Requests for Access to Personal Information

Pursuant to the Act, an individual may submit a written request to us to provide them with:

- A record of the personal information of the individual under our custody or control;
- Information about the purposes for which their personal information under our custody or control has been and is being used by us; and
- The names of persons to whom and the circumstances in which their personal information has been and is being disclosed by us.

We will respond to requests in the time allowed under the Act, and will make a reasonable effort to assist applicants, and to respond as accurately and completely as reasonably possible. Requests may be subject to certain fees and disbursements in accordance with the provisions of the Act.

An individual's ability to access his or her personal information under our control is not absolute. The Act provides that we *must not* disclose personal information where:

- the disclosure could reasonably be expected to threaten the safety or physical or mental health of an individual other than the individual who made the request;
- the disclosure would reveal personal information about another individual and consent is not obtained; or

- the disclosure would reveal the identity of an individual who has, in confidence, provided us with an opinion about another individual and the individual providing the opinion does not consent to the disclosure of his or her identity.

The Act further provides that we *may choose not to* disclose personal information where:

- the personal information is protected by any legal privilege;
- the disclosure of the information would reveal confidential commercial information, and it is not unreasonable to withhold that information;
- the personal information was collected by us for an investigation or legal proceeding;
- the disclosure of the personal information might result in similar information no longer being provided to us, when it is reasonable that it would be provided;
- the personal information was collected or created by a mediator or arbitrator in the conduct of a mediation or arbitration for which he or she was appointed to act under an agreement, under an enactment, or by a court; or
- the personal information relates to or may be used in the exercise of prosecutorial discretion.

The above examples are not exhaustive, and you are encouraged to examine the provisions of the Act for a complete list.

(e) **Requests for Correction of Personal Information**

An individual may also submit a written request to us to correct errors or omissions in the personal information of the individual that is in our custody or control. When provided with a written request, Celernus will:

- Correct the personal information and, if reasonable to do so, send correction notifications to any other organizations to whom we disclosed the incorrect information; or
- Decide not to correct the personal information, but annotate the personal information that a correction was requested, but not made.



14. CONTACTING OR COMMUNICATING WITH US

If you have any questions with respect to our policies concerning the handling of your personal information, or if you wish to request access to, or correction of, your personal information under our care and control, please contact our Managing Partner at:

Mr. Gordon Martin
Celernus Investment Partners Inc.
10 Four Seasons Place, Suite 1027
Toronto, Ontario M9B 6H7

E-mail communications may be sent to gmartin@celernus.com.

If you are dissatisfied with our handling of your personal information, we invite you to contact our Gordon Martin in writing, setting out the reasons for your concern. If you remain dissatisfied after Gordon Martin has reviewed and responded to your concern, you may wish to contact the Office of the Information and Privacy Commissioner.

We also encourage you to obtain a complete copy of the Act to further determine the rights and obligations contained within that legislation, and to obtain independent legal advice if considered necessary.

The contact information for the Office of the Privacy Commissioner and a copy of the Act can be obtained from the following link:

<http://laws-lois.justice.gc.ca/eng/acts/P-8.6/index.html>