

- (1) Pace Securities Corporation (PSC), is an investment dealer and Portfolio Manager wholly owned by the Pace Savings and Credit Union. We operate solely in the provinces of Ontario and Quebec for residents of those provinces and offer preferred and common stocks, bonds, mutual funds and listed equity and index options to our clients. We are also registered as an Investment Fund Manager in Ontario.
- (2) We only offer advisory accounts to our clients. This means that you are responsible for all investment decisions but you can rely on the investment advice of an Investment Advisor (IA). Your IA is responsible for the advice that they give you, any investment recommendation must be suitable for you and it must be unbiased. PACE Securities Corp is responsible for supervising the advice and actions of the IAs in our employ.
- (3) When you opened your account(s) you will have completed a number of forms with your IA. Included was a New Account Application Form that asked several detailed questions about you, your financial situation and your risk tolerance, objectives and investment time horizons for each of the accounts you open. This form is also known as the "Know Your Client" form and its accurate and detailed completion is necessary for a successful and lasting relationship between you, your IA and Pace Securities. You will have receive a copy of this information for your reference.
- (4) During our relationship there will be occasions when you will be asked to update this form. When you change jobs, retire, get married or any other time when an event changes your financial situation significantly. This will affect your financial goals and objectives and any recommendations your IA might give. Similarly, we might request you update the information. Changes in market conditions, changes in individual securities; change in investment objectives or investment time horizon, or even changes in the type of account you operate signal a material change that may require an update. Advise your IA when your financial situation changes and your IA will contact you if warranted by other circumstances and an updated form can be prepared.
- (5) When you open your account you will receive several documents that contain information regarding your rights and protections as a client of Pace Securities Corporation:
  - New Account Application Form
  - An Investor's Guide to Making a Complaint
  - Fee Schedule
  - CIPF Brochure
  - Privacy Policy
  - NATIONAL INSTRUMENT 54-101COMMUNICATION WITH BENEFICIAL OWNERS OF SECURITIES OF A REPORTING ISSUER
- (6) 'Suitability' and 'suitable' are words that will be used quite frequently. The concept is fairly straightforward, are the securities held, recommendations made by the IA or even the type of account opened, appropriate for you based on the information you have provided on the New Account Application Form? The IA will take into account your circumstances (age, income, risk tolerance, net worth, investment knowledge & experience, investment objectives, and investment time horizon) to determine the investment products most likely to allow you to meet your goal
  - (a) We assess suitability; compare your portfolio to your information, at least annually and whenever one of the following trigger events occurs:
    - Whenever you do a trade;
    - When a recommendation is made;
    - Securities are transferred or deposited;
    - If you change your IA;
    - If there is a material change in your financial or personal circumstances; resulting in an update of the NAAF (investment; objectives, time horizon, risk tolerances, change income, illness, new dependents, living situation etc.).
  - (b) We also review suitability if there is a significant market fluctuation or other "trigger" event that affects your account.
- (7) When you execute a trade, we will send you a trade confirmation in the mail. This will detail price, commission charge, quantity, name of the security bought or sold and total value of the trade. Security regulations requires for every initial mutual fund purchase; clients receive a prospectus for that fund either with the trade confirmation or shortly thereafter.
- (8) Any service fees and charges that may be levied against your account are disclosed in a separate document that was provided to you when you opened your account.

In most instances when you buy or sell any security you incur a commission or other charge. Again, in most cases, the amount of the commission is shown on a separate line on the trade confirmation that was mailed to you. This amount is added to any buy amount or deducted from any sale proceeds.

For some securities the commission is not so easy to spot. Some securities are sold on a "principal" basis and this is disclosed on the trade confirmation. Pace Securities Corporation buys, or sells, the security itself and then immediately sells it to you, or buys it from you, at a slightly different price. The difference in price is the commission. Bonds and debentures, including Government of Canada Treasury Bills as well as some other securities are sold this way.

New issues sold by prospectus are sold to the public at the issue price. This issue price includes a commission that is paid to us. While the amount per share will vary, it will be disclosed on the prospectus for that issue.

Mutual funds pay commissions in various ways depending on which type you purchase:

- Front end load funds. These are similar to a stock and commission is charged at the time of purchase. The amount will show on the trade confirmation.
- Deferred Sales Charge (DSC). No commission is charged on the purchase, but a charge will be levied if the fund is redeemed early. The rate of the charge, 5% -10%, declines to zero over a certain period of time perhaps 5 to 7 years. Note: commission to us was paid at purchase by the mutual fund. Deferred sales charges go to the fund.
- Switch Fees. DSC funds may have an option allowing the client to switch a certain percentage of their DSC fund to a regular fund with no penalty. Typically, this is 10% of the dollar value of the investment. A switch fee may be charged of up to 2% of the value of the switch. This is negotiable with the client.
- Trailer fees, are paid to PSC by the mutual fund company on a regular basis. This fee is based upon on the amount you have invested in the fund.

Details of all fees and charges are contained in the prospectus for that fund. Read it carefully before investing.

- (9) If your account has activity, a trade, deposit or withdrawal of securities or deposit or withdrawal of funds, a monthly statement will be mailed to you. As long as there are securities or a money position in your account, we will send you a statement at least on a quarterly basis. This statement will reflect book values of the positions you hold, total value and asset allocation and a summary of your account activity. Account summary and Value and Asset Allocations will reflect actual dollar values and percentage amounts.
- (10) Performance reporting is provided annually within 30 days of the calendar year end. It shows in dollar amounts all costs associated with the accounts and how well the investments have performed in dollar terms and their percentage rate of return. It can help you assess your progress about meeting your investment goals.
- (11) You may assess the performance of your investments by comparing them to an investment benchmark. Benchmarks show the performance over time of a select group of securities. There are several different benchmarks and care must be taken to select one that reflects your investments. The S&P/TSX Composite Index follows the share prices of the largest companies on the Toronto Stock Exchange and would be a good benchmark for assessing the performance of investments or portfolios with a similar makeup. It would not be appropriate for investments that are diversified in other products, sectors or geographical areas. You may wish to discuss benchmarks with your IA.
- (12) PACE Financial Limited (PFL) has issued Series A 5% Cumulative Redeemable Retractable Preferred shares (5% Pref). PACE Capital Partners LP (PCP LP) has issued limited partnership units (LPU) to eligible subscribers. Both of these issues were offered under prospectus exemptions available under National Instrument 45-106. Both PFL and PCP LP are wholly owned or controlled by PACE General Partner Limited a subsidiary 100% owned by PACE Securities Corp so the securities they issue are related to us.
- (13) First Hamilton Holdings Inc. is a "connected issuer" and a "related issuer" (within the meaning ascribed to such terms in National Instrument 33-105) to the President and Chief Executive Officer of PACE Securities Corp.
- (14) We take complaints very seriously, so if you have any issues or concerns with your account please contact us. We will acknowledge your complaint by mail within 5 days giving you the name of the individual conducting the investigation and their contact information. All of the options available to you are provided in the "Investor's Guide to Making a Complaint" mentioned above but another will be provided with the first letter. We will investigate and determine what course of action should be taken and provide you with a formal response within 90 days. If we are unable to respond within 90 days we will give you the reason for our delay and a new expected response date.

If you have a complaint please call Gerald McRae, Chief Compliance Officer at 905-532-9675 or in writing at gmcr@pacesecurities.com or PACE Securities Corp, 50 Burnhamthorpe Road West, Suite 405, Mississauga, Ontario, L5B 3C2