



# **Caplink Financial Corporation**

# **Conflicts of Interest & Relationship Disclosure Information**

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## *Caplink Conflicts of Interest and Relationship Disclosure Information*

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## Caplink Financial Corporation

### Registration

Caplink Financial Corporation (“**Caplink Financial**”) is registered as an exempt market dealer (“**EMD**”) with the Alberta Securities Commission (“**ASC**”), the British Columbia Securities Commission (“**BCSC**”), the Financial & Consumer Affairs Authority of Saskatchewan (“**FCAAS**”), and the Manitoba Securities Commission (“**MSC**”); and as an Investment Fund Manager (“**IFM**”) and a Restricted Portfolio Manager (“**RPM**”) in the provinces of Alberta and British Columbia. Caplink Financial acts as both a securities dealer (“**Caplink EMD**”) and an IFM and RPM (“**Caplink IFM**”) for issuer Caplink Mortgage Trust (“**CMT**”).

### Captive Dealer

Caplink EMD is a captive dealer that solely distributes the proprietary securities of CMT, which is a related and connected issuer (“**related party products**”) that is managed by Caplink IFM. Caplink IFM, Caplink EMD and CMT are entities that share both common mind and management and direct and indirect common shareholders and unitholders.

When you purchase units of CMT, Caplink EMD will disclose this fact to you and explain any conflict of interest arising from these relationships. Refer to “Conflicts of Interest” below for further details and a description of the nature of these relationships.

## Products and Services Offered by Caplink EMD

### Exempt Market Securities

All products offered by Caplink EMD are exempt market securities which means they are “exempt” from the requirement to provide a prospectus. Generally, securities offered to the public in Canada must be issued with a prospectus and are reviewed by a securities regulator. There are exceptions that allow qualified investors to purchase securities sold under prospectus exemptions and these exemptions are the basis of the exempt market.

Investors must qualify under a specific exemption in order to be eligible to purchase exempt market securities and there are restrictions on an investor’s ability to liquidate or resell these securities.

Caplink EMD does not accept cash or cheques payable to Caplink EMD, and will only accept cheques payable directly to the issuer, CMT, from whom you are purchasing your exempt product.

Caplink EMD distributes exempt securities through registered dealing representatives (“**DR**”). Caplink EMD’s DRs will discuss the exemptions, applicable individual investment limits and assess whether you qualify to invest in exempt market securities before you can make a purchase.

Caplink EMD DRs may be involved in an activity or offer products and services that are unrelated to the business of Caplink EMD and are carried on outside of Caplink EMD. These are referred to as “Outside Activities”. Refer to “Conflicts of Interest – Outside Activities” below for a list of pre-approved Outside Activities that Caplink EMD DRs are engaged in and to review important disclosure about those activities that are outside of their registration with Caplink EMD.

### Caplink EMD’s Role

Caplink EMD will generally only act as your dealer for your purchase of exempt market securities. Following your purchase, all product updates, administrative and investor relations enquiries will be handled directly by the manager, Caplink IFM. You will be provided with pertinent contact information, in writing, prior to any purchase you make through Caplink EMD.



## Your Relationship with Caplink EMD and Our Obligation to You

### ***Know Your Client Form and Suitability Determination***

For each initial purchase, Caplink EMD will collect personal information from you by having you complete a Know Your Client (“**KYC**”) form that will provide us with certain information that we will need in order to conduct a proper suitability assessment.

The information we collect from you will include, but is not limited to your:

- specific investment needs and objectives,
- risk capacity,
- risk tolerance,
- time horizon,
- investment knowledge,
- financial circumstances,
- personal circumstances and
- personal identification.

This information will be used to verify your identity, to verify that you qualify for an appropriate prospectus exemption and to determine whether the purchase is suitable for you.

Each Caplink EMD DR is obligated to make this suitability determination for each purchase you make through Caplink EMD. For any investment action Caplink EMD takes, recommends or decides on your behalf, Caplink EMD must determine that it is suitable for you and that it puts your interests first. It is important that you provide full and accurate information to your DR. Your DR will provide you with a signed copy of the KYC for your records.

Caplink EMD and its DRs will review with you and update your KYC information, if required, for each subsequent purchase you make. A new KYC form will be required if the KYC form we have on file for you was completed more than twelve (12) months earlier or if there has been a material change in your information such as a change in your investment objectives, financial circumstances, risk profile, marital status, employment status or other circumstances. It is important for you to keep your information current with Caplink EMD. Caplink EMD encourages you to contact your DR if any of your information has changed.

If you are an entity other than an individual (i.e. a corporation, trust or partnership), Caplink Financial is obligated to identify the nature of your business, the Person(s) who beneficially own the corporation/entity and the Person(s) that control 25% or more of the voting rights of that entity, or, in the case of a partnership or trust, identify who exercises control over the affairs of that partnership or trust.

Your DR will review the suitability of your Caplink EMD securities purchase based on an analysis of your overall investment portfolio and on your exposure to exempt market securities in your Caplink EMD account and in other accounts where you hold exempt market securities. Your overall investment portfolio will also be assessed for your exposure to low, moderate and high-risk investment products.

If you qualify as a Permitted Client you can waive the suitability assessment.

Because Caplink EMD products are high risk and illiquid in nature (i.e. do not trade on a public exchange), and depending on your personal financial circumstances, the exemption you are qualified for, and your risk tolerance and risk capacity, it may not be suitable for you to have more than ten (10%) percent of your financial assets invested in one product or asset class.

Notwithstanding, it is reasonable that a limited amount of your investment capital can be invested in Caplink EMD products, if the risk associated with those investments is consistent with your risk tolerance for that portion of your investment portfolio. Your DR will review this portfolio analysis approach with you when you initially complete your KYC form and each time you make any additional investments.



Because Caplink EMD is a captive dealer and exclusively offers proprietary products as described above, the suitability determination made by Caplink EMD and your DR will not consider the larger market of non-proprietary products or whether those non-proprietary products would be better, worse, or equal in meeting your investment needs and objectives.

Caplink EMD and its DRs can only provide information regarding the products that Caplink EMD offers and cannot provide you with advice on other investments or asset classes that may be beneficial for you. Should you wish for advice or information about other securities, you will need to seek out a different registered firm. Your Caplink EMD DR can refer you to a registered firm that can provide you with access to other investments or asset classes.

### ***Pre-trade disclosure of charges***

Before accepting an instruction from you to purchase or sell a security, your DR will disclose to you:

- An exact or estimated amount of the charges paid directly or indirectly, in respect to the purchase or sale;
- In the case of any deferred charges that may apply during purchase or sale;
- Whether there are trailing commissions with respect to the security.

### ***Trusted contact person***

As part of the KYC information that we collect, we are required to ask you to provide the name and contact information of a Trusted Contact Person (“TCP”). A TCP is typically a trusted adult with no financial interest in your account. This can be a close friend, a family member or a caregiver. You can change your TCP at any time by contacting your DR.

A TCP is a valuable additional layer of protection and is someone we can contact if we have concerns about changes in your financial behavior or if you become financially vulnerable. A TCP is not the same as a Power of Attorney (“POA”). A POA has the legal authority to make financial decisions for you, either right away or if you become incapacitated.

A TCP is not in a position to make decisions for you or to take control of your financial affairs. Nor does naming a TCP allow us to share information about your financial accounts with your TCP. Your TCP is essentially an emergency contact and does not have the authority to make any decisions on your behalf or make changes to your investments. You should let your TCP know that you have named them as your TCP and provide an overview of what this means.

Caplink EMD will only contact your TCP with your consent, to confirm or make inquiries about the following:

- Possible financial exploitation affecting your account or your investment;
- The identity of any legal guardian, executor, trustee or other personal or legal representative;
- Concerns about your mental capacity as it relates to financial decision making; and/or
- Current contact information (if we cannot contact you after repeated attempts).

It is important for you to keep your TCP information current with Caplink EMD. Please contact your DR if any of your TCP information has changed. You may withdraw your consent for Caplink EMD to contact your TCP or you may change your TCP by contacting your DR for instructions.

### ***We Are Not Financial Advisors***

Caplink EMD or its DRs do not possess any financial planning designations or registrations and, as such, neither Caplink EMD nor its officers, directors or DRs proclaim to provide advice or guidance on your general financial needs or circumstances. Your account with Caplink EMD will be opened solely for the purpose of transacting in Caplink EMD investment products. For advice on your general financial needs please consult with a qualified investment advisor.

## Where your Investments are Held

When you enter into an arrangement to purchase exempt market securities through Caplink EMD, we will refer to this as your “account”. Your account with us is purely transactional in nature. We do not hold assets or investments for you when acting as EMD.

Caplink EMD does not accept cash or cheques payable to Caplink EMD, and will only accept cheques payable directly to the exempt product you are purchasing.

Exempt market securities that you purchase through Caplink EMD will either be held in a “client-name” account or a “nominee-name” account, as explained below.

### ***Client-name account***

Client-name securities are non-registered investments held in your name by the issuer. You are both the registered and beneficial security holder. You will not receive a physical certificate representing your ownership of the security from the issuer, because the issuer will use an electronic registry system to record your name as the security holder in its books and records.

### ***Registered investment accounts***

Registered investments are tax-sheltered and held in an RRSP, RRIF, TFSA, RESP, or other registered investment accounts. Registered accounts cannot be held directly in your name by the issuer and must be held by a third-party custodian in a Nominee Account (see below).

Caplink EMD does not provide services related to registered accounts and we have no custody, management, possession or control over these securities or cash holdings.

### ***Nominee account***

Securities held in a Nominee Account are securities issued in the name of someone other than you, such as a broker, trust company, financial institution, custodian, nominee or other intermediary. Although you are the beneficial security holder of nominee-name securities, the intermediary is the registered security holder that holds the security for you, commonly in a registered investment account.

When opening a registered account to hold your exempt market security investment, it will likely be held in a self-directed registered plan, such as an RRSP, RRIF, TFSA, RESP or LIRA through a custodian such as Olympia Trust Company and your securities will be held in the name of the custodian (“**Nominee**”).

Caplink EMD is not a custodian and is not authorized to hold registered plans such as RRSPs, RRIFs, RESPs or TFSAs pursuant to applicable income tax legislation in Canada, nor is Caplink EMD an agent or representative of any custodian.

If you wish to hold your securities in a registered plan, we will introduce you to a third party, independent, qualified Canadian custodian that has agreed to hold the exempt market securities sold through Caplink EMD in its self-directed registered plans. If you want to use a different custodian or another intermediary to hold your registered investment, you must ensure this intermediary will allow you to hold exempt market securities in your registered plan. If you use your own custodian, Caplink EMD will not make an assessment on whether or not it is a qualified custodian for you. If Caplink EMD introduces you to a custodian that uses a sub-custodian to hold your assets, Caplink EMD will make you aware of that fact.

Although Caplink EMD may make custodian’s applications and forms available to you, and is listed as the dealer that sold you investments in your third-party self-directed registered plan, Caplink EMD is not acting as your agent or as an agent of the custodian in doing so. Caplink EMD will not review your custodian application and/or forms for completeness or accuracy. You are solely responsible for completing your custodian application and/or forms accurately and in their entirety. These are forms of the custodian and are not Caplink EMD forms.

Caplink EMD and its DRs are not authorized to and will not contact or deal with your custodian regarding your self-directed registered plan on your behalf. Nor will we accept trading authorization for your self-directed registered plan. You must deal directly with your custodian in respect of your self-directed registered plan. The custodian will provide you with services and advice on your self-directed account, including, without limitation, its



fee schedule, contribution limits, purchases, redemptions, retractions, dividend reinvestment plan or calculating and arranging for the withdrawal of required amounts from your RRIF.

The custodian will also record and keep track of the unit certificates for the securities that they hold for you. Custodians will also be responsible for recordkeeping relating to your investment and are required to provide you with periodic statements relating to your investment. Not all custodians will agree to hold exempt market securities, and custodians may charge transaction fees and annual fees to purchase, hold or sell your securities.

If you have any questions relating to the custodian applications, forms, fees or questions of a general nature surrounding your self-directed registered plan, you must contact the custodian of your self-directed registered plan directly. Caplink EMD also encourages you to regularly review any statements from your custodian and contact your custodian directly if you have any concerns with your statement or your custodial agreement.

## **Transfer Agent Services and Unit Certificates**

Caplink IFM acts as its own transfer agent and is responsible for maintaining the books and records of its security holders in which case you will be relying on the record keeping of Caplink IFM, the manager. Unitholder administration is maintained through Caplink IFM.

You will not receive a physical certificate representing your ownership of the securities you purchased from Caplink EMD and issued by Caplink IFM on behalf of its issuers. The issuer will maintain an electronic registry system to record your name as the security holder in its books and records.

## **Dividend Reinvestments**

Caplink EMD will generally only act as your dealer in connection with the purchase of exempt market securities, and will not act as your dealer, make recommendations, accept instructions from you or make a suitability determination in connection with any sale, redemption, retraction or purchase of additional securities by way of a dividend reinvestment. For information relating to any sale, redemption, retraction or purchase of additional securities by way of a dividend reinvestment, please contact the issuer or Caplink IFM, the fund manager, directly.

## **Syndicated Mortgages**

If you purchase a participating interest in a syndicated mortgage, Caplink EMD will disclose to you who will be registered on title as the holder of the syndicated mortgage and associated security. In most cases, you will not be registered on title as the holder of the syndicated mortgage and associated security and the syndicated mortgage will not be held in an account.

In most cases, Caplink Financial, acting as the mortgage broker, will be registered on title as the holder on your behalf as the bare trustee and will hold a registered interest in the mortgage in trust for you as a beneficial owner. There is no requirement to use a qualified custodian if the mortgage is registered in the name of Caplink Financial and the mortgage is held in trust for you. In the event of default, you must rely on Caplink Financial to enforce any mortgage or associated security.

## **Risks of Borrowing to Invest**

Using borrowed money to finance the purchase of a security involves greater risk than using only cash resources. If you borrow money to purchase a security, your responsibility to repay that loan and any interest remains the same even if there is an interruption or decline in the income from the investment you made and/or the value of the security purchased.

Caplink EMD does not advocate the use of leverage in purchasing any security and strongly recommends that you do not borrow money in order to invest in Caplink EMD products.

Talk to your DR to understand more about the product you are purchasing and where your investment will be held, or refer to your client reporting from Caplink EMD for additional information.



## Conflicts of Interest

Under securities legislation in Canada, Caplink EMD is required to take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between Caplink EMD, including each individual acting on Caplink EMD's behalf, and clients for which Caplink EMD distributes securities and therefore acts as a dealer. Caplink EMD must address all such material conflicts of interest in the best interest of the client. Caplink EMD has a general duty to deal fairly, honestly and in good faith with its clients. We recognize that conflicts may arise between Caplink EMD, its DRs and its clients. It is important to us to provide you with information to help you better understand material conflicts of interest that may arise in your dealings with Caplink EMD in its capacity as an EMD.

A conflict of interest is any circumstance where:

- the interests of different parties are inconsistent or divergent;
- Caplink EMD or its DRs may be influenced to put their interests ahead of yours; or
- monetary or non-monetary benefits available to Caplink EMD or its DRs, which may compromise the trust that a reasonable client has in Caplink EMD or its DRs.

A "Conflict of Interest Matter" means:

*"...a situation where a reasonable person would consider the person in question, or an entity related to such person, to have an interest which may conflict with their ability to act in good faith and in the best interests of the client..."*

Conflicts of interest are deemed to be material if the conflict may be reasonably expected to affect the decisions of the client and/or the recommendations or decisions of Caplink EMD or its DRs in the circumstances. Actual, potential and perceived conflicts of interest may exist, and Caplink EMD will manage these conflicts by:

- controlling the conflict,
- disclosing the conflict to you, or
- avoiding the conflict if it is prohibited by law or there are no appropriate controls available in the circumstances sufficient to address the conflict in your best interest.

Caplink EMD is obligated to advise you of any circumstances that may create an actual or potential conflict of interest between your economic interest and those of the Firm so that you may make an informed investment decision. The sections below provide disclosure of these conflicts of interest and explain how Caplink EMD manages them so that you can independently assess these conflicts when making your investment decision. Other material conflicts of interest may arise from time to time, and Caplink EMD will inform you of the nature and extent of any additional material conflicts of interest prior to any subsequent transaction through Caplink EMD.

### Caplink EMD Exclusively Offers Proprietary Products

Caplink EMD is considered a "captive dealer" because Caplink EMD is registered as an EMD that only distributes proprietary securities of "related issuers" or "connected issuers", as those terms are defined in *National Instrument 33-105 Underwriting Conflicts* ("NI 33-105") and securities of issuers managed by Caplink IFM.

It also states that full disclosure of the relationships giving rise to any potential conflict of interest be given to investors.

Currently, Caplink EMD only distributes the securities of CMT, a related and connected issuer.

### Connected issuer

A "connected issuer" of Caplink EMD generally has a relationship with Caplink EMD (or a related issuer of Caplink EMD or a director or officer of Caplink EMD (or a related issuer of Caplink EMD) that may lead a reasonable prospective purchaser of the securities of the connected issuer to question whether Caplink EMD and the issuer are independent of each other for the distribution of the issuer's securities. For example, a connected issuer of Caplink EMD may be managed by an affiliate of Caplink EMD, share common security holders of 20% or less with Caplink EMD, or share a common director or officer with Caplink EMD.



CMT may be considered a connected issuer of Caplink Financial because:

- Caplink Financial acts in the capacity of an EMD and distributes securities of CMT;
- Caplink Financial is also the IFM (“**Manager**”) and mortgage administrator for CMT and the Manager of CMT Master LP (“**Partnership**”), which is responsible for preserving CMT’s invested capital and for generating a steady stream of income to CMT investors by directly and indirectly investing in Investments;
- Caplink Financial holds 100% of the shares of CMT Master GP Inc., which is the General Partner of the Partnership and through a Limited Partnership Agreement, has full and unrestricted power and exclusive authority to carry on the activities of the Partnership;
- Caplink Financial holds 100% of the shares of CMT Special LP Inc. (“**Special Limited Partner**”), a limited partner of the Partnership and holds Units of the Partnership. The Special Limited Partner is entitled to receive the Special Allocation that is attributable to each unit series and is calculated at the start of the special allocation period (365 days and set annually);
- Caplink EMD and Caplink IFM also have a relationship with CMT through Brian Menges, who is a beneficial owner of both entities through his indirect ownership of Caplink Financial;
- Through his indirect ownership of Caplink Financial, Brian Menges is a beneficial owner of the CMT Master GP Inc., which is the General Partner of the Partnership which invests in Investments for CMT and manages the Partnership through his role as an officer and director of Caplink Financial and Caplink IFM, the Manager;
- Brian Menges is also a director and officer of Caplink Financial, a Trustee of CMT and a Director and officer of CMT’s General Partner, the Partnership, and the Special Limited Partner;
- Through his indirect ownership and his director position of Caplink Financial, Brian Menges is entitled to share in the returns generated by the Partnership’s activities and indirectly through the special allocation to the Special Limited Partner which may create an incentive for Caplink IFM, the Manager, to assume greater risks when making decisions or determining the Net Asset Value;
- Brian Menges and his spouse indirectly hold one hundred percent (100%) of the shares of the Manager which in turn holds one hundred percent (100%) of the shares of the Special Limited Partner and the General Partner which in turn hold 10,000 Series M LP Units and a General Partner interest in the Partnership, respectively. Consequently, Brian Menges will receive income directly or indirectly from his beneficial ownership of the Special Limited Partner, which receives the Special Allocation from the Partnership, in its capacity as special limited partner of the Partnership;
- Brian Menges has economic interests in or acts as senior management for other entities;
- Furthermore, Brian Menges has permission, subject to the Declaration of Trust and the Partnership Agreement, to pursue other business activities and provide services to third parties; and
- As CMT’s and the Partnership’s arrangements with Caplink IFM, the Manager, were effectively determined by the Manager (of whom Brian Menges is an officer and a director and a beneficial owner) these arrangements may contain terms that are less favorable than they otherwise might have been if they had been negotiated between unrelated parties.

The organizational and ownership structure and strategy of CMT, the General Partner, the Partnership and Caplink EMD and Caplink IFM involve a number of relationships that may give rise to conflicts of interest between Investors, on the one hand, and the Manager (or its principals), on the other hand. In particular, Conflict of Interest Matters could arise, among other reasons, because:

- Caplink EMD, Caplink IFM, and CMT and the Partnership are managed by the same entity, Caplink Financial, and they share common security holders.
- This may lead a reasonable prospective purchaser of the securities of CMT to question whether Caplink EMD and CMT are independent of each other for the distribution of CMT’s securities and to their ability to act in good faith and in the best interests of the Trust or the Partnership.

## How We Address and Mitigate Conflicts of Interest

The economic success of Caplink EMD is tied to its ability to raise capital for CMT so that CMT can create a return for its investors. Caplink EMD is not the sole distributor of CMT, therefore CMT's success is not totally dependent on Caplink EMD. Caplink Financial, the Partnership, the General Partner and the special allocation partner earn revenue and/or retain a priority interest allocation from the proprietary products distributed by Caplink EMD, and the proprietary products offered by Caplink EMD may take actions that impact the return on your investment or the value of your investment.

The Manager and the General Partner control these conflicts by:

- Appointing independent directors and independent trustees to the board of the General Partner and CMT and requiring unanimous approval of the independent board with respect to any Conflict of Interest Matter regarding the business of CMT, the Partnership, the Manager and the General Partner including:
  - related-party transactions or contracts;
  - the allocation of investment opportunities among the Partnership and other entities managed or controlled by the Manager;
  - any material amendment to the Management Agreement;
  - the acquisition of Eligible Investments outside of Canada, The United States and Mexico;
  - employing a Chief Compliance Officer who has no interest, including as a director, officer or voting shareholder or unitholder, in the proprietary products Caplink EMD sells;
  - providing clear disclosure to its clients that Caplink EMD exclusively sells proprietary products;
  - developing suitable client profiles to invest in Caplink EMD's proprietary products and turning away potential clients who do not fit the profile;
  - establishing an oversight process for compliance with know your product, know your client and suitability determination in respect of proprietary products to determine that your interests are put first when you purchase a product offered by Caplink EMD;
  - conducting ongoing monitoring and product due diligence on proprietary products being offered by Caplink EMD;
  - controlling access to sensitive information;
  - segregating client records;
  - providing staff training;
  - through monitoring and oversight of Caplink EMD related service providers; and
  - by not having access to the mortgages in CMT's fund portfolios.

Caplink Financials president, director and indirect owner, Brian Menges, is registered as a DR under Caplink EMD and may recommend the securities of CMT to you. This conflict is controlled because your DR is required under securities law to only make suitable investment recommendations to you and must address all material conflicts of interest in your best interest.

In addition to the above conflicts of interest (which is not an exhaustive list), there may be additional conflicts of interest between Caplink EMD, issuers, borrowers, affiliates or third parties, all of which will be disclosed in applicable offering documents, which you are encouraged to read in their entirety before making an investment decision. If you wish to obtain further information concerning the conflicts of interest described herein or for any further details, please refer to the "Contact Us" section below.

### **Related issuer**

As defined in NI 33-105, a person or company is a "related issuer" to Caplink EMD if, through the ownership of, direction or control over, voting securities or otherwise:

- the person or company issuing securities is an "influential security holder" of Caplink EMD;

- Caplink EMD is an “influential security holder” of the person or company issuing securities; or
- if each of them is a related issuer of the same third person or company.

The term “influential security holder” generally refers to a situation where a person, company or professional group (which includes Caplink EMD and its partners, directors, officers, employees and affiliates) generally shares common ownership or control over more than 20% of the voting securities.

Caplink IFM, by issuing securities of CMT, is an “influential security holder”; Caplink EMD and Caplink IFM control or are partners of the issuer through common security holders and the general partner of the issuer. For example, a “related issuer” of Caplink EMD would include an issuer that shares more than 20% common security holders with Caplink EMD, such as CMT. For further examples of “influential security holders” and related issuers:

- CMT, Caplink EMD and Caplink IFM, through Caplink Financial share common management and control through Brian Menges who is President, CEO, Director, and a beneficial owner of Caplink Financial, and he is a Trustee and President of CMT and a Director and President of CMT Master GP, the general partner of CMT. CMT Master GP also controls CMT. Brian is sole director of the Manager, Caplink IFM.
- Brian Menges is a beneficial owner of Caplink Financial through his 51% share ownership in 721259 Alberta Ltd., which owns 100% of Caplink Financial and he is a beneficial owner of CMT Master GP Inc. (the General Partner of CMT) which is owned 100% by Caplink Financial, which is owned by 721259 Alberta Ltd. Elizabeth Menges, Brian Menges’ spouse, holds 49% share ownership in 721259 Alberta and is also a beneficial owner of Caplink Financial and CMT Master GP Inc. through her ownership of 721259 Alberta Ltd. Ms. Menges does not play an active role in any of the entities of which she is a beneficial owner.
- Brian Menges indirectly controls CMT Master GP Inc. (“**General Partner**”) and CMT, and directly controls Caplink Financial. To mitigate this conflict CMT Master GP Inc. has an independent board of directors and CMT has an independent board of Trustees. Brian Menges, as sole shareholder and as a director of the General Partner, will appoint directors to the board of directors of the General Partner. To mitigate this conflict, each director appointed by the Manager will meet the definition of “independent director” as such, a term is defined in NI 52-110. This mitigates the conflict to a degree but Brian Menges in fact controls who is appointed to the CMT board of Trustees and the General Partner’s board of directors.
- Through a management agreement between CMT and Caplink Financial, Brian Menges manages the assets, makes the investment decisions, and performs the duties associated with Caplink Financials roles as an EMD, RPM and IFM. Because of the common ownership and common mind and management of these entities, these activities may give rise to both material conflicts and client confusion.
- Caplink Financial is entitled to receive compensation from CMT for providing portfolio manager and investment fund manager services.

#### **Potential material conflicts:**

- There may be an economic incentive to the Manager, Brian Menges, to increase the number of CMT Trust Units sold and that incentive may be in conflict with his obligations to assess the suitability of potential investors when he is acting in the capacity of a DR for Caplink EMD because he is a beneficial owner of Caplink Financial.
- Caplink Financial is entitled to receive compensation from CMT through a management agreement and for providing portfolio manager and investment fund manager services which may create an inherent conflict of interest since the fees are an expense assumed directly or indirectly by the fund and at the same time constitute a source of revenue for the manager or its principals.

These conflicts are addressed in the best interest of the client as fees paid by CMT to Caplink IFM are disclosed to clients at the time of purchase through the Offering Memorandum and through the *Relationship and Conflicts of Interest Disclosure Document*, which also identifies and discloses potential material and other conflicts and how they are managed.



### **Potential for client confusion:**

Client confusion may arise when Caplink Financial, which is a connected issuer of CMT, acts in the capacity of EMD and Brian Menges, acting as DR sells units of CMT to clients, because a reasonable prospective purchaser of the securities of CMT may question whether Caplink Financial and CMT are independent of each other.

CMT does not compensate Caplink EMD or Brian Menges for executing trades in its securities, therefore the direct financial incentive for Brian Menges is mitigated. This will be disclosed and addressed, in the best interest of the client, through the Offering Memorandum and this *Conflicts of Interest and Relationship Disclosure* Document.

### **Conflicts of interest policy**

Caplink Financial has adopted policies and procedures for identifying and responding to conflicts of interest by avoiding, controlling or disclosing material conflicts of interest in the best interest of the client. As CMT is an investment fund it does not require procedures for identifying and addressing material conflicts of interest in the best interest of the client as the fund does not engage in client facing activities.

## **Management Fees and other Fees**

### **Management Agreement and Mortgage Administration Agreement**

Caplink Financial has a management agreement with CMT to provide IFM, RPM and EMD services and a Mortgage Administration Agreement covering loan origination through Caplink Financial's mortgage broker licenses and to provide services for the administration of mortgages funded.

Caplink EMD acts as the EMD engaged by CMT to sell securities, and is compensated by Caplink IFM for this service. Caplink Financial receives additional compensation from the Partnership under a Mortgage Administration Agreement between Caplink Financial and the Partnership where it acts in the capacity of a mortgage broker, mortgage originator and mortgage administrator. These fees do not directly or indirectly impact your return in CMT because CMT does not compensate Caplink EMD for trades in mortgage securities.

### **Fees**

The Mortgage Administration Fee is 0.25% of the Mortgage Administration Value calculated and paid monthly in advance at the beginning of each month.

The Management Fee is 1.0% of the Gross Asset Value attributed to the LP Units purchased by CMT calculated and paid monthly in advance at the beginning of each month.

If you purchase CMT Series A Units, a Trailing Commission of up to 1% of the value of your investment may be paid to Caplink EMD starting 12 months after your initial purchase. This Trailing Commission of up to 1% will then be paid annually as long as you hold this investment.

## **Fair Allocation Policy**

Caplink Financials Fair Allocation Policy ensures that, to the extent possible, all Caplink EMD clients are provided the same investment opportunities as its officers, directors, and staff members.

### **Director's Purchase and Redemption Policy**

Officers, directors, trustees and employees of Caplink Financial, CMT and the General Partner are entitled to invest in CMT. This could present a conflict if those individuals have more information available to them than a typical investor does and as a result, those individuals could take investment actions that are disadvantageous to other Unitholders. This means that the directors, officers, trustees and employees may be inclined to redeem trust units before you.

### **Redemptions**

All CMT Unitholders, be them officers of Caplink Financial, directors of the General Partner, Trustees of CMT or others are subject to the same redemption policies as you, and the director's Redemption Policy requires advance notice of any director's or trustee's redemption request to be reviewed and authorized by all of the directors at a Board meeting.



## Purchase

Officers, directors, and employees of Caplink IFM or Caplink EMD must follow the same rules and guidelines that all unit holders follow when purchasing units of CMT. In addition, officer, directors and employees of Caplink IFM or Caplink EMD are only entitled to purchase units in CMT when the purchase price is at par or at \$1.00 per unit and when there is no anticipated or undisclosed benefit that could be derived from purchasing those units when they are purchased. All unit purchases are subject to approval by CMT's board of trustees.

## Outside Activities

Caplink EMD's DRs may be involved in an activity or offer products and services that are unrelated to the business of Caplink EMD and carried on outside of Caplink EMD, which are referred to as "Outside Activities".

Outside Activities include, but are not limited to, other securities-related activities, providing financial or finance-related services, activities with another registered firm or any position of influence held by a DR, whether or not compensation is received and whether or not the activities are business related.

Examples of Outside Activities that are reportable include insurance licenses, mortgage broker licenses, financial planning, realtor licenses, mortgage broker licenses, director, trustee or officer positions with a reporting issuer or an entity raising capital or positions of influence such as religious leaders, medical doctors, nurses or lawyers.

Certain Outside Activities are not reportable, such as involvement with non-active operations or volunteer activities that are not securities-related, financial services or positions of influence.

## Outside Activities Control

Caplink EMD controls material conflicts of interest associated with Outside Activities by:

- only allowing your DR to engage in an Outside Activity if the activity has been pre-approved by Caplink EMD and has been disclosed to regulators if applicable;
- establishing internal policies and procedures which restrict any Outside Activities that would interfere with a DR's ability to act in your best interest;
- restricting a DR from trading or advising for you or your relative if the DR has a relationship with you arising from a position of influence; and
- providing clear disclosure to its clients about Outside Activities.

If a DR is offering you any products or services beyond exempt market products, these products and services are not business activities of Caplink EMD. Conflicts of interest may arise because the directors and officers of Caplink Financial, the Partnership, CMT and the General Partner are engaged in a wide range of investing and other business activities. CMT may make direct investments as a co-lender in a Mortgage Syndication that is funding a particular mortgage. Not all investment opportunities caused to be originated by CMT must be presented to the Partnership managed by Caplink Financial.

## Private Funding of Mortgages

Private funding of mortgages generally occurs when:

- CMT does not have sufficient funds available to fund a mortgage transaction (i.e. it is fully invested);
- a mortgage investment is too large for CMT to fund on its own and, as such, that mortgage is shared with other investors; and
- in rare cases, Caplink Financial has mortgage investment opportunities that do not fit the underwriting guidelines of CMT and those mortgages may be funded through private lenders.

## Risks of Investing

When making an investment decision, it is important to be aware of the risks associated with that investment. It is important to understand that neither Caplink EMD nor its management make any guarantees as to the return that Caplink EMD products can provide or the security of your capital in those investments. While Caplink EMD

and its management make every effort to protect the equity of the mortgage investments made by the mortgage loan originator (“MLO”), impairment or loss is possible.

### Exempt Market Dealer and Restricted Portfolio Manager

The following is a summary only of the risks of investing in CMT. Please note that this list is not exhaustive and has been provided to give you an indication of factors that can affect the value of your investments purchased through Caplink EMD:

- CMT units are subject to resale restrictions;
- CMT units are not publicly traded and you may not be able to sell your units;
- CMT units are not insured against loss through the Canada Deposit Insurance Corporation;
- The issuer’s offering documents are not reviewed by regulators and do not generally have the same protections as publicly traded securities. No securities regulatory authority has assessed the merits of any of the securities sold by Caplink EMD or its DRs;
- CMT is a “non-reporting issuer”. A non-reporting issuer is not required to publish certain financial information and may not be required to notify the public of certain material changes to its business. You may not receive ongoing information or transparency about this issuer, which may limit the knowledge you will have of your investment after the initial purchase;
- Mortgage investments made by the Partnership are not eligible for mortgage default insurance and as such, do not carry any form of mortgage default insurance coverage;
- There is no guarantee that CMT will make distributions or pay you a return on your investment in CMT units;
- Caplink EMD primarily only distributes proprietary products that are securities of funds that are related or connected issuers of Caplink Financial, or an affiliated person of Caplink Financial. This is discussed in greater detail above, but generally results in a limited selection of products available to clients of Caplink EMD;
- CMT and its eligible investments are subject to economic risks such as declines in employment, real estate markets, and increases in mortgage rates;
- Mortgages are relatively illiquid investments and there may be no immediate resale market for the mortgages in the portfolios;
- Cash flow from mortgages in CMT’s portfolio are subject to the borrower’s ability and willingness to make mortgage payments;
- As part of its investment strategy, CMT may use a combination of capital and bank financing to purchase mortgage assets in order to achieve a higher rate of return investors. This type of leveraging strategy may decrease returns if the interest rate charged on the bank financing ever exceeds the net yield of the fund;
- A substantial increase in market mortgage interest rates will have a material adverse effect on the value of the real estate securing a mortgage portfolio;
- The fund may be responsible for environmental and other regulatory matters as they relate to properties recovered through foreclosure proceedings;
- CMT is reliant on Caplink IFM for mortgage advisory and administrative services;
- Caplink EMD products may be limited to specific asset classes, sectors and regions based on the knowledge, experience and expertise of the firm’s management team and consultants from time to time and the fact that Caplink EMD primarily distributes proprietary products. For this reason, certain investors seeking to achieve broad investment diversification solely through a relationship with Caplink EMD may not have their investment objectives met;
- Past performance is not indicative of future performance; and

- Ongoing or potential conflicts of interest.

### Third Party Referral Fees

Caplink Financial relies on third party mortgage referrals from its network of mortgage brokers to generate mortgage investment opportunities. The referral fees paid to those mortgage brokers may vary with each mortgage negotiated and are generally paid by the borrower.

### Content and Frequency of Reporting

The Manager provides the following reporting:

- At the time of initial purchase – copy of all forms executed by the investor including, but not limited to, the subscription form, KYC, and dividend selection form;
- Once trade is approved – a trade confirmation will be sent;
- On a quarterly basis - an individual account statement of fund holdings and all transactions in the period;
- On an annual basis – annual account statement; performance reports, audited financial statements and notes to the statements.

### Performance Reporting and Benchmarks

Caplink Financial reports performance figures on at least an annual basis. The performance figures include a performance calculation using a money weighted rate of return calculation method. A benchmark is a comparable investment (i.e. similar in risk, liquidity, etc.) that may be used to measure the performance of securities, fund or investment manager. When evaluating performance against a benchmark, it is important to measure against an appropriate benchmark. For example, measuring a mortgage funds rate of return against either a Guaranteed Investment Certificate or the S&P 500 is inappropriate because the S&P 500 reflects equity performance, while a Guaranteed Investment Certificate reflects guaranteed fixed income performance. Neither benchmark reasonably applies to the performance of a private mortgage fund.

### Investor Responsibilities

As an investor of Caplink EMD, it is important that you:

- Provide a full and accurate description of your financial situation, investment objectives and risk tolerance to your DR;
- Promptly inform your DR and/or the Chief Compliance Officer (“**CCO**”) in writing of any material change to your personal information, financial or life circumstances; this will allow your DR and/or the CCO to assess whether changes to your investments are necessary;
- A material change would be a change to any information that could reasonably result in changes to the types of investments appropriate for you, such as: income level, investment objectives, risk tolerance, time horizon or net worth. Other examples of change would include: employment status, marital status or change of retirement plans;
- Participate in all KYC updates when asked to do so;
- Carefully review all account documentation, sales literature and other documents provided to you;
- Promptly review trade confirmations, periodic statements and report any inaccuracies to your DR;
- Make sure you understand all fees and costs;
- Make sure you are aware of possible risks and returns on your investment; and
- Understand that the returns on your Caplink EMD investments are not guaranteed.



## Consent to Collection and Use of Information

Caplink EMD will collect personal information about you, from you and from other sources, and use such information to verify your identity, to administer your account, to provide you with products and services that you may request, or to disclose as required by applicable regulatory policies, or as required or permitted by law, including for income tax reporting purposes.

Caplink EMD may make your personal information available to its respective employees, agents and service providers, provided they are required to maintain the confidentiality of that information. Caplink EMD, its agents and representatives may also use your personal information to comply with valid requests for information about you from regulators, government agencies, public bodies or other entities, which have a right to issue such requests.

If you provide personal information about a third party (such as a spouse or beneficiary), we will require appropriate consent from that third party to the collection, use and disclosure of their personal information in the course of the administration of their account, for the purposes for which they have provided it to Caplink EMD including the purposes described herein.

Caplink EMD may keep your personal information in their records for as long as it is needed for the purposes described herein and as required by law.

You understand that a file of your personal information will be established and maintained for you and that only employees, contractors and suppliers of Caplink EMD who need to access that file in performing their duties shall have such access.

By writing to Caplink EMD, you may obtain access to your personal information at any time and review its content and accuracy, and have it amended as appropriate.

Caplink EMD complies with the personal *Information Protection Act* (Alberta) and, except as herein provided, will hold all your personal information strictly confidential.

## Caplink Privacy Policy

Caplink EMD needs to collect private information from its clients and prospective clients in order to properly fulfill its duties. Understanding a client's needs and wants, financial position and family issues enables us to ensure that all investment recommendations are suitable. This is both a regulatory requirement and good business. Caplink EMD is committed to protecting our clients' privacy and the confidentiality of their personal information in our possession. This *Conflicts of Interest and Relationship Disclosure* document explains the measures we take to fulfill these commitments.

We ask our clients for no more personal information than necessary. The KYC information forms we ask clients to complete elicit only the information we need for contractual, regulatory and income tax requirements including: name, address, phone and fax numbers, email addresses, birth date, social insurance numbers, asset holdings and values, investment knowledge and objectives, spouse's name and occupation, and children's and dependents' names and ages.

Our KYC, when completed, for any registered accounts elicits the information needed to register these accounts with a custodian who will then register your account with the government including: social insurance number, spouse's or designated beneficiary's name and birth date.

### Our Obligation to You

- We do not disclose any non-public personal information to any third party except as required by law or as outlined in this policy.
- We limit access to clients' personal information. We record clients' personal information electronically on computer servers to which only authorized persons have access, and only by means of secure passwords. We authorize employees to have access to clients' personal information only on a "need to know" basis.
- We have installed hardware and software security to keep our servers clean and secure. We maintain a duplicate copy of our data at an offsite location for disaster recovery purposes. This data is password protected.

- We keep select paper copies of clients' personal information in filing cabinets. We keep the computers and filing cabinets in which such information is stored in areas of our business premises that are kept locked when not attended or in use.
- We prevent unauthorized disclosure of client's personal information. We train our employees to keep client's personal information strictly private and confidential.
- We require all of our staff to sign our privacy document that obliges them to respect and protect client's personal information. We ensure that departing staff understands they remain contractually obliged to respect the privacy of client's personal information.
- We shred paper documents containing client's personal information before discarding such documents.
- We expect similar safeguards from our service providers. We may use service providers to provide us with various services such as technology, administration, printing, marketing, legal and accounting. We will require them to have a similar privacy policy or to agree to acknowledge and abide by ours.
- We take privacy seriously. The CCO is responsible for ensuring that the Firm adheres to its privacy policy.

The CCO is responsible for training our employees in our privacy policies and for monitoring the fulfillment of our privacy commitments. We invite any client or prospective client to contact them for any additional clarification desired. A client wishing to review his or her personal information in our possession should send a written request to the CCO.

For a complete version of our privacy policy, that includes important definitions and details on how we use your information, please request a copy by mail by contacting [investor@caplink.ca](mailto:investor@caplink.ca). Unless otherwise notified, Caplink EMD will use your personal information for the identified purposes in our privacy policy in order to operate and service your investment account at our firm.

## Your Data and Electronic Communication

The Firm has invested in a software system that provides each client with access to a secure on-line portal. This is to provide an alternative to email communication particularly for documents that contain personal information such as account statements.

From time to time, Caplink EMD may still communicate with you by email or Canada Post.

Caplink EMD's client portal system offers our investors the best of both worlds: We can use our own email system to send emails to you, with a link to a document in a secure file sharing portal, rather than attaching the document itself to an email and it is secure, auditable, and compliant. To access the document, you simply click on a link in the email.

The transmission of account information and instructions via electronic mail presents unique risks to both parties. This is why the Firm offers its investors access to a client portal. The following is a non-exhaustive sample list of those risks:

- Failure to receive account information - information may be submitted and not received by the intended recipient. This may be due to technical issues in transmission, misdirection or failure to properly identify the information received;
- Inability to clarify information on a timely basis - where information is received and reviewed by the intended recipient, it may not be possible to contact you on a timely basis to clarify vague or incomplete information;
- Lack of investor confidentiality - transmission of investor information via electronic mail is not necessarily secure. No guarantee can be made as to privacy of investor information transmitted via e-mail;
- Inability to confirm the message was sent by you - receipt of communications via electronic mail does not permit the intended recipient to confirm with certainty that the instructions are provided by the authorized person.

By not using the client portal, you must provide consent to Caplink EMD stating that you prefer for us to communicate with you by e-mail, and you confirm that you understand and appreciate the risks in communicating

via electronic mail. Notwithstanding these risks, if you have elected to send or receive information via electronic means, you accept all risks associated with this means of communication, including the risk that such direction may not be received by the intended recipient.

You understand that if you do not receive prompt confirmation from Caplink EMD regarding the receipt of an e-mail message, it is your responsibility to follow-up with Caplink EMD to ensure that such information was received as intended.

You agree to hold harmless Caplink EMD, its agents, employees or related connected parties, if any, with respect to loss/damage arising from the communication, acceptance and execution (or lack thereof) of information via electronic mail.

## Consent to Receive Electronic Communications

New Canadian Anti-Spam Legislation (CASL) came into effect on July 1, 2014 that requires your consent for us to continue sending you electronic communications. E-mail communications include everything that we have sent to you prior to the new legislation such as monthly reports, announcements and event invitations. By executing the *Client Acknowledgment* form or you confirm that you want to continue receiving e-mails from Caplink Financial Corporation.

## Anti-Money Laundering Legislation

In addition to the information required by the securities regulations, anti-money laundering legislation (laws to prevent terrorist financing and money laundering activities) requires Caplink EMD to verify your identity by viewing a government-issued identification document of yours prior to opening an account, and by recording the type of document, the number, and the issuing province or country.

That same legislation requires Caplink EMD to ask whether you are a “Politically-Exposed Person”; that is, a specified official of Canada or a foreign country or a family member of such an official.

For corporate clients, Caplink EMD must verify that corporation’s existence by referring to the corporation’s certificate of corporate status or equivalent document.

Caplink EMD must also record the name and occupation of each director of the corporation, as well as the name, address, and occupation of each individual who directly or indirectly owns or controls 25% or more of the shares of that corporation.

## Complaint Handling

Caplink EMD and the Manager continually strive to exceed your expectations. Each day we do all we can to ensure that your business is handled in a courteous, effective and transparent way. If we do not meet the high standards that we set for ourselves, we want you to tell us. To bring a complaint to our attention and have it addressed quickly and effectively, please do the following:

- Contact the individual you deal with at Caplink to discuss your concern. In most cases, complaints are resolved at this level;
- If you remain unsatisfied with the resolution of the complaint, ask to speak to that individual’s manager or supervisor;
- If speaking to that individual’s manager or supervisor does not resolve your concern to your satisfaction, then you may ask to speak to Caplink EMD’s CCO. If your complaint cannot be easily resolved, you will be asked to put the complaint in writing so it can be thoroughly investigated;
- Within five (5) business days of receiving your written complaint, we will acknowledge receipt of your complaint in writing and may request more personal input and documentation from you;
- We have up to 90 calendar days to review, analyze and assess your complaint. Upon completion of our review, we will provide you with a full response to your complaint.



- If you remain unsatisfied with the outcome of your complaint or if Caplink EMD has not formally responded to it on a timely basis (i.e. within 90 calendar days), you may seek assistance from the Ombudsman for Banking Services and Investments (OBSI).

### Independent Dispute Resolution – OBSI

Caplink EMD offers independent dispute resolution or mediation service through the Ombudsman for Banking Services and Investments (“**OBSI**”) [<https://www.obsi.ca>], at Caplink EMD’s expense, to resolve client complaints.

Caplink EMD may be required to make the independent service available if a complaint relates to a trading activity involving a Caplink EMD DR, and if the complaint is raised within six years of the date when the client knew or ought to have known of the activity (or omission) that caused or contributed to the complaint.

The client may escalate an eligible complaint to OBSI under the following circumstances:

- Caplink EMD failed to give the client notice of its decision within 90 days of receiving the complaint. The client is entitled to escalate the complaint to OBSI immediately or at any later date until Caplink EMD has notified the client of its decision.
- Caplink EMD has given the client notice of its decision about the complaint and the client is not satisfied with the decision. The client then has 180 days in which to escalate the complaint to OBSI.

In either instance, the client may escalate the complaint by directly contacting OBSI. For information on OBSI, please contact OBSI directly at 1.888.451.4519 or view their website at <https://www.obsi.ca>.

In accordance with section 13.16 of NI 31-103, the Firm will inform a client on how to contact OBSI when a complaint has been made about any trading activity of Caplink EMD or its DRs.

A registered firm does not have to offer dispute resolution for complaints from permitted clients that are not individuals.

If you elect to have your complaint mediated by OBSI, the cost will be paid by Caplink EMD or you can pursue civil litigation at your expense.

### Contact Information

To contact us to report a complaint or to make inquiries regarding the handling of your account or personal information, please contact the Chief Compliance Officer as follows:

Telephone: 780.702.9223

In Writing: Karen Riva

Chief Compliance Officer

1000 College Plaza

8215 112 Street

Edmonton, AB T6G 2C8

By E-mail: [karen@caplink.ca](mailto:karen@caplink.ca)