

MIDDLEFIELD CAPITAL CORPORATION

Relationship Disclosure - Advisory Accounts

Middlefield Capital Corporation is here to help you meet your financial goals. The purpose of this Relationship Disclosure is to provide you with a better understanding of our advisory account services and what you can do to help ensure a satisfactory ongoing relationship with us.¹

1. The services and types of accounts we offer.

In an **advisory account** you (or your authorized representative) approve and direct all investment decisions, whether or not you have relied on the advice of your investment advisor. All of Middlefield Capital Corporation's advisory accounts are **commission based**.

A **commission based account** is an account in which you will be charged a commission for each transaction made for your account (buy or sell). In the event that investments purchased on your behalf may also pay us fees, such as trailer fees in the case of mutual funds and agent's fees in respect of new issue business, we will not normally charge any additional commission.

With your advisory account, you may open one or more of the following types of accounts:

- Cash Account
- Margin Account
- Registered Retirement Savings Plan Account (including Locked-In and Spousal)
- Registered Retirement Income Fund Account (including Locked-In and Spousal)
- Registered Education Savings Plan Account
- Tax Free Savings Account

All accounts may be denominated in Canadian or US currency and, except for cash accounts, may also be approved to trade options.

Please consult your investment advisor about how each of these types of accounts operate and which one(s) best meet your investment objectives.

2. The type of products we offer.

We offer a wide range of investment products, including stocks, bonds, money market funds and mutual funds. Your investment advisor can explain these investment products to you, as well as how they work, their risks and potential returns, and whether they are suitable for you. We do not primarily or exclusively offer proprietary products.

Generally, our wide range of investment products offered are securities listed on a major stock exchange and Canadian investment fund securities issued under a Prospectus, including Exchange-Traded Funds, and therefore there are no unusual restrictions on your ability to liquidate or resell these securities. Any securities that do not meet these criteria would require special approval. Please consult your investment advisor about how certain types of products operate, including whether there may be restrictions on your ability to liquidate or resell a particular type of security.

3. How we determine what investments are suitable for you.

Before we provide you with an investment recommendation, we will first assess whether that investment product is suitable for you according to our understanding of your investment profile, based on the information you have provided when you completed or last updated your account documentation. This information is commonly referred to in the securities industry as "know your client information" or "KYC Information". Without current and accurate KYC Information we cannot provide suitable recommendations or reliable investment advice, which is why keeping your KYC Information up-to-date and accurate is very important. You will be provided with a copy of your KYC Information that we obtain from you at account opening, and when significant changes are made to your KYC Information.

¹ We will notify you of any significant update to this Relationship Disclosure.

Suitability is not only determined on a trade-by-trade basis, but also on your overall circumstances. If you have multiple accounts with MCC, your investment advisor will make recommendations or decisions for one account while considering the context of all your other accounts with MCC.

We also undertake a suitability assessment of any trading instructions that you provide which we did not recommend to you. Our suitability assessment may be affected by the urgency of your trading instructions or our ability to access reliable information about your proposed investment within the required timeframe. If we determine that your trading instructions are not suitable based on your investment profile, we will advise you against proceeding with the order and either execute the order with a formal notation of our cautionary advice (and, if necessary a request for you to update your account documentation) or refuse to execute your trading instructions. It is very unusual that we would refuse to execute our client's trading instructions but we reserve the right not to trade in the case of a wholly unsuitable trade.

There are six main factors that guide us in establishing your investment profile and determining whether an investment is suitable for you:

1. Your KYC Information: We gather information to understand your:

- a) **Personal circumstances:** We collect information about your personal circumstances, including your date of birth, address and contact information, civil status/family situation, number of dependents, employment status and occupation, whether someone other than you is authorized to provide instructions on the account, and whether someone other than you has a financial interest in the account.
- b) **Financial circumstances:** We learn about your overall financial picture, including a breakdown of your financial assets, current and long-term liabilities, short-term and long-term liquidity needs, use of leverage to finance the purchase of securities in the past, and the amount of your income from all relevant sources.
- c) **Investment knowledge:** We learn about your previous investment experience and history to assess your understanding of the financial markets, your understanding of the risks associated with investments, and your understanding of how the level of risk may impact potential returns. We also assess your experience and understanding in trading various types of securities and being invested in various market cycles.
- d) **Investment needs and objectives:** We learn about your investment and life goals to determine the appropriate investment strategy for your needs: prioritizing the protection of your capital; prioritizing liquidity; earning steady, lower risk income; or increasing your capital through growth in the market value of your investments.
- e) **Risk profile:** We learn about both your risk tolerance and risk capacity. This means we assess both your willingness and ability to tolerate fluctuations in the value of your account and the potential for the temporary and/or permanent loss of your principal.
- f) **Investment time horizon:** We learn about your key milestones when you will need to access your financial assets (for example, to buy a house, pay for education or enter retirement) and how important it is for you to have the ability to quickly and easily convert to cash all or a portion of your investments without experiencing a significant loss in their value.
- g) **Creditworthiness:** If we extend financing to your acquisition of securities, we assess your suitability to receive financial credit based on your reliability evidenced by your credit history

2. Your Investment Portfolio Composition and Risk Level: We assess how the purchase or sale of particular securities will affect the composition of your account(s) in terms of its allocation

between debt, equity and other investment classes, the impact of the action on all accounts held with MCC (including whether the decision will materially affect the concentration and liquidity of all your accounts), the risk of the assets held, and the overall diversification of your investments.

3. **Security Type:** Your investment advisor must not purchase, sell, or recommend securities to you unless they have taken steps to understand the security, including its structure, features and risks, initial and ongoing costs and the impact of those costs. In addition, MCC will make an assessment of each security and certain products or securities may not be approved to be sold by MCC.
4. **Costs:** Your investment advisor must consider the actual and potential impact of costs on your potential return.
5. **Reasonable Range of Alternatives:** Your investment advisor must consider a reasonable range of alternatives available through the firm at the time the determination to buy or sell a security is made.
6. **Client's Interest Comes First:** When any investment action is taken, recommended or decided on by MCC, we will ensure that the investment action is suitable for you and that it puts your interest first.

We will conduct a suitability determination before: (i) opening your account; (ii) accepting your order or series of orders for purchases or sales; (iii) recommending a security or investment strategy to you or exercising discretion to take any such action; (iv) securities are received, deposited, withdrawn, exchanged or transferred to your account(s); (v) your investment advisor or portfolio manager changes; (vi) we become aware of a change in a security in the account, or a change in your KYC information, that could result in a security no longer being suitable; (vii) we undertake a review of your KYC information; and (viii) we become aware that there has been a material change in your personal or financial circumstances or objectives. If we identify any concerns during our suitability determination, we will discuss them with you, as required by our regulators and good business practice.

Given the long-term nature of investing for most clients, we do not automatically review the suitability of the investments in your account(s) when there are market fluctuations, even large fluctuations. Your investment advisor is ready to discuss the effect of market fluctuations on your portfolio with you upon request. We encourage you to speak with your investment advisor, especially if you expect to need to sell assets in the near future or there has been any other material change in your financial or personal information that may affect your investment objectives or risk tolerance.

The suitability determination for institutional clients is different than that of retail clients. For more information on how suitability is determined for institutional clients, please see Appendix A.

4. How we avoid, manage or disclose conflicts of interest.

In the course of our usual activities, we assume a responsibility to act fairly, honestly and in good faith with you. Given the nature of our business, conflicts of interest between you and our firm, our employees or our other clients may arise.

An actual, potential or perceived conflict of interest exists when our interests result in actions or decisions that compromise, could potentially compromise or appear to compromise our requirement to protect your interests. We have policies and procedures in place to address the handling of these conflicts of interest. Under our policies and procedures, we avoid material conflicts prohibited by law as well as conflicts that we cannot effectively control. All material conflicts of interests are to be addressed in a fair, equitable and transparent manner, and ultimately in the best interest of the client.

Investment advisors must avoid any material conflicts of interest between themselves and a client if they cannot be addressed in the best interest of the client. In situations that we cannot avoid, and where our interests may compete with yours, the conflict will be controlled through supervision of the conflicted employee.

As part of the conflict of interest disclosures, your investment advisor will provide disclosure listing potential conflicts of interest at the time of your account opening, as well as a comprehensive Statement of Policies identifying the funds to which we are the advisor. These are updated on an ongoing basis and reflected in the account statements that we mail to you so that you can make investment decisions with confidence.

Other than as described in our Statement of Policies, a current copy of which is provided as part of your new account opening documents, we do not receive any benefits from any third-party in connection with your purchase of securities through your MCC account.

5. Reports, fees and service charges

Confirmation of transactions: We will provide you with written confirmation of the details of every purchase and sale made for your account(s), which will be sent to your attention through the mail.

Account statements: For your accounts, a statement will be provided for each month where there is account activity. Regardless of activity, you will be provided with a statement on a quarterly basis. Your account statement confirms all account activity (if any), including purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid, transfers, and any other transactions that occurred in your account over the previous period. Account statements also list your current holdings and the value of your portfolio. The value of most securities you hold is calculated with reference to the closing price of the last day of the month in the reporting period of the statement. In the case of securities that have ceased trading, where the company is bankrupt, or in other circumstances where a reliable market value cannot be ascertained, no valuation is given.

Future reporting initiatives: Quarterly, yearly and/or monthly performance summaries will be available on request and provided without charge. We are always looking for ways to improve the manner in which we can report to you and we will keep you informed on the timing of these changes and how to understand any new report formats we may use.

Performance benchmarks and how to use them: You may assess the performance of your investments by comparing them to an investment performance benchmark. Benchmarks show the performance over time of a select group of securities. There are many different benchmarks. When choosing a benchmark, pick one that appropriately reflects your investments. For example, the S&P/TSX Composite Index follows the share prices of the largest companies listed on the Toronto Stock Exchange. This index would be a good benchmark for assessing performance of a Canadian equity fund that invests only in large Canadian companies. It would be a poor benchmark if your investments are diversified in other products, sectors or geographic areas. We do not provide benchmark comparisons in our monthly account reporting. Please speak to your investment advisor if you have questions about the performance of your portfolio or benchmarks.

Fees and charges paid: Our commission charges for the purchase and sale of securities for your account are recorded on the trade confirmation transaction records that are issued for each purchase and sale. Securities not traded on a public marketplace, such as treasury bills, banker's acceptances and corporate bonds are sometimes purchased and sold net of any applicable commission or fee.

If you make a trade involving a security which is denominated in a currency other than the currency of the account in which the trade is to settle, a conversion of currency will be required. In such instances, we will act as principal with you in converting the currency at rates established by us. We may earn revenue in addition to the commission applicable to such a trade based on the difference between the applicable bid and ask rates for the currency and the rate established in the market.

If you purchase a security using margin, or in the event you do not timely settle a trade for your account, you will be charged interest until the trade is fully paid for. In such instances your account will be charged interest at rates established by us in accordance with industry standards.

All other fees for our services are published in the Standard Administration Fee Schedule given to you at account opening. Fees and charges paid will decrease the investment returns of your account, and this effect will be compounded over time.

6. What you can do and other helpful information.

Provide Complete Information: We cannot emphasize enough how important it is for you to provide us with complete and accurate KYC Information.

Keep us up to date: You should promptly inform us of any change to the KYC Information you have provided that could reasonably result in a change to the types of investments appropriate for you. Such information includes a material change in your income, investment objectives/needs, risk tolerance/capacity, time horizon or net worth.

Designate a Trusted Contact Person (TCP): You can designate a person you trust to be your TCP. The TCP is someone who your investment advisor is allowed to contact if they are concerned that you are experiencing financial exploitation or mistreatment, or if they are concerned that you are making poor financial decisions because of diminished mental capacity. Your investment advisor is required to ask you if you want to designate a TCP and will seek instruction at every KYC Information update. While you are not required to have a TCP, we recommend that you do designate a TCP as an added layer of protection for your account(s).

Temporary Holds: A Temporary Hold may be placed on your account(s) by MCC if your investment advisor has reasonable concerns that you are a vulnerable client who is potentially being financially exploited, and where there is reasonable belief that you do not have the mental capacity to make decisions involving financial matters. You will be sent a notice if a Temporary Hold is placed on your account with the reasons for why the Temporary Hold is in place.

Remain informed: Keep current of the research material we provide or make available to you.

Ask us questions: Ask questions and request information from us to resolve any questions you have about your account(s), transactions or investments, or your relationship with us.

Stay on top of your investments: You should review, on a timely basis, all account documentation and other information we provide you.

If you have a complaint: We are committed to providing you with the excellent level of service that our clients have come to expect of us, including the prompt and fair resolution of any concern or complaint. If you are unable to satisfactorily resolve with your investment advisor any complaint or other concern you may have about the handling of your account, we would ask you to direct them to our head office to the attention of our President or Chief Compliance Officer. We request that any complaint or other concern you have be put in writing.

Our President or Chief Compliance Officer will promptly undertake an initial review of your concern or complaint and will either attempt to deal with or resolve it directly with you or refer it to our Designated Complaints Officer for investigation and resolution in accordance with our Complaint Handling Procedures, which you received at account opening.

7. A checklist of documents to be provided to you.

In connection with your new (updated) account(s) the following documents have been provided to you:

- ✓ New Client Account Application Form
- ✓ Trusted Contact Person (TCP) Consent Form
- ✓ Client Account Agreement (Cash or Margin)
- ✓ Relationship Disclosure – Advisory Accounts (this document)
- ✓ Conflict of Interest Disclosure
- ✓ Account Signature and I.D. Verification
- ✓ Standard Administration Fee Schedule
- ✓ Privacy Policy
- ✓ Communication with Beneficial Owners of Securities
- ✓ Strip Bonds and Strip Bond Packages Information Statement
- ✓ Complaint Handling Procedures
- ✓ Canadian Investor Protection Fund brochure
- ✓ IIROC's Investor's Guide to Making a Complaint brochure

- ✓ Statement of Policies
- ✓ Separate Entity Disclosure Statement
- ✓ Email Policy
- ✓ Account Opening Disclosure
- ✓ Leverage Risk Disclosure Statement
- ✓ U.S. Foreign Account Tax Compliance Self-Certification
- ✓ Declaration of Tax Residence

Thank you for choosing to open an account with Middlefield Capital Corporation.

November 2022

Appendix A

Suitability for Institutional Clients

Subject to any applicable exemptions as per below, a suitability determination must be made for an institutional client:

- before any order is accepted from the client; and
- before a recommendation is made to the client to purchase, sell, exchange or hold a security

When a suitability determination must be made for an institutional client, the Investment Advisor must make a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional client. In making a determination whether a client is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations include:

- any written or oral understanding that exists between the Investment Advisor and its client regarding the client's reliance on the Investment Advisor;
- the presence or absence of a pattern of acceptance of the Investment Advisor's recommendations;
- the use by a client of ideas, suggestions, market views and information obtained from other dealer members, market professionals or issuers particularly those relating to the same type of securities;
- the use of one or more investment dealers, portfolio managers or other third-party advisors;
- the general level of experience of the client in financial markets;
- the specific experience of the client with the type of instrument under consideration, including the client's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and
- the complexity of the securities involved.

Once each suitability determination has been made and:

- the Investment Advisor has reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Investment Advisor's suitability obligation is fulfilled for that transaction (the "Institutional Sophistication Determination"); or
- the Investment Advisor does not have reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Investment Advisor must take steps to ensure that the institutional client fully understands the investment product, including the potential risks.

The Account Suitability Determination: An Investment Advisor must determine, on a reasonable basis and putting the institutional client's interest first, that:

- it is suitable for the institutional client to be a client of MCC; and
- the scope of products, services, and account relationships which the institutional client has access to within the account are suitable for the institutional client

Exemptions from the suitability determination requirements

- Other than the Account Suitability Determination, the remainder of the suitability determination requirements do not apply to
 - An order execution only account;
 - A direct electronic access account;
 - An account held by a Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company; or
 - An account held by an institutional client that:

- Is also a “permitted client”, as defined in National Instrument 31-103;
- Does not meet the standard applied for the Institutional Sophistication Determination;
- Has waived, in writing, the protections offered to them under the suitability requirement.

The Account Suitability Determination does not apply to an account held by an institutional client who is a Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company.