



BEST EXECUTION POLICIES and PROCEDURES
CLIENT NOTICE
("Notice")
Updated March 2019

1. Introduction

Haywood Securities Inc. ("Haywood") has established and follows policies and procedures which are designed to achieve best execution for the orders it executes for its clients. These policies and procedures do not guarantee best execution for every client order, but are reasonably designed to achieve that result. Haywood reviews its best execution policies and procedures at least annually or as required by changes to market structures and execution mechanisms.

The purpose of this Notice is to outline Haywood's best execution policies and procedures.

2. Definitions

In this Notice:

Alternative Market(s) means a Canadian marketplace that Haywood has access to which facilitates the purchase and sale of a Canadian listed security which is also listed on the Default Market.

Best Market means the marketplace with the best bid (buy price) or offer (sell price) for a client order, unless in the reasonable judgement of Haywood's trading staff the current or historical liquidity of the marketplace that has the best bid or offer will not likely be sufficient to ensure that the order has the best chance of execution. In such an event, "Best Market" will mean an Alternative Market that Haywood has access to and which can facilitate the best execution of the client order.

Default Market means (unless otherwise notified by Haywood): (a) for securities listed on the Toronto Stock Exchange ("TSX") and trading on one or more Alternative Markets, the Default Market will be the TSX, and (b) for securities listed on the TSX Venture Exchange ("TSX-V") and trading on one or more Alternative Markets, the Default Market will be the TSX-V.

Good Through Order ("GTO") means an order (typically a Limit Order) that is valid until filled or cancelled or until the close of business on a specified expiry date.

Limit Order means an order to buy or sell a security at a specific price or "better". A limit buy order permits the purchase of shares at the limit price or lower. A limit sell order permits the sale of shares at the limit price or higher.

Market Order means an order to buy or sell securities at the prevailing market price. By definition, any order that does not have a specific price limit is a market order.

Multiple Marketplaces means the Default Market and the Alternative Market(s).

Open or Good Till Cancelled ("GTC") means an order (typically a Limit Order) that is valid until filled or cancelled.

Special Terms Orders ("STO") means orders for which the marketplace execution is subject to a special terms condition.

Stop Loss Sell Order means an order that is specifically used in connection with a sell order where the limit price is below the existing market price. The order becomes effective when the stock price trades at or below the order limit price.

Stop Loss Buy Order means an order that is specifically used in connection with a buy order where the limit price is higher than the existing market price. The order becomes effective when the stock price trades at or above order limit price.

3. Hours of Operation for Trading in List Canadian Securities

Haywood's trading staff are available for order execution of Canadian listed securities during the public trading hours of the Default Market, which are normally between the hours of 6:30 am and 1:00 pm (Pacific Time), Monday to Friday, excluding Canadian statutory holidays. Haywood's trading staff may be available for order execution outside of the Default Market trading hours, however Haywood does not guarantee the availability of such order execution services.

4. Default Marketplace

Unless otherwise expressly agreed between a client and their Haywood Investment Advisor, an order received: (a) prior to the opening of the Default Market will be routed to the opening sequence of the Default Market for execution at the opening; and (b) an order received after the close of the Default Market will be entered the following business day to route to the opening sequence of the Default Market.

If a client expressly directs that an order be executed on an Alternative Market, the order will be valid for the duration of the hours of operation of the Alternative Market and Haywood does not assume any responsibility or liability to cancel or otherwise change the terms of the order until the opening of the Default Market the following day.

5. Day Orders

All orders received that are not specified as GTC or GTO will be considered a day order ("Day Order"). A Day Order will only be valid if received during the hours of the Default Market and if not filled will be deemed to expire at the close of the Default Market unless the client and their Investment Advisor expressly agree that the Day Order should be posted to an Alternative Market. In such an event, the order will be valid for the duration of hours of operation of the Alternative Market. Haywood will not assume any responsibility or liability to cancel or otherwise change the terms of a Day Order after the closure of the Default Market. If a Day Order is received during the hours of operation of the Default Market, the order will be entered into the Best Market at the time of entry.

6. GTC or GTO

GTC and GTO orders will be posted on the Default Market and will only be considered live during the hours of the Default Market, unless the client and their Investment Advisor expressly agree to post the GTC or GTO order on an Alternative Market. In such circumstances the order will be valid for the hours of the Alternative Market, however, Haywood will not assume any responsibility or liability to cancel or otherwise change the terms of the order until the opening of the Default Market the following day.

7. Market Orders

Market Orders will be traded as required between the Default Market and any Alternative Market in an effort to achieve the best execution for the client, however, unless expressly agreed to between the client and their Investment Advisor, Market Orders will only be considered valid during the hours of operation of the Default Market.

8. Limit Orders and Stop Loss Orders

For the purpose of best execution, Limit Orders and Stop Loss Orders will be handled in the same manner as Day Orders.

9. Special Terms Orders (“STO”)

A STO will only post to the Special Terms Market of the Default Market unless the order can be immediately executed on an Alternative Market. Regardless, STO will only be considered live during the hours of operation of the Default Market.

10. Best Execution – Canadian Listed Markets

There are several Canadian marketplaces that offer trade execution in exchange listed securities. For the purpose of achieving best execution for its clients when trading in the Canadian marketplace, Haywood uses the services of one or more third-party vendors who provide smart order router services (“SOR”).

Haywood’s SOR electronically sweeps all Canadian marketplaces to optimize Haywood’s ability to achieve best execution of its orders. This includes dark pools and markets that are deemed “unprotected”. Any assessment that may result in a dark pool or unprotected marketplace being removed from Haywood’s SOR, must be supported by material concerns that the inclusion of the dark pool or unprotected marketplace is adversely impacting the SOR’s best execution results, e.g. speed or certainty of execution.

11. Differing Market States

The hours of operation for Alternative Markets vary and typically have hours of operation which extend before and after the hours of the Default Market. Subject to the firm’s hours of operation as set out above, circumstances may arise when a client may direct their advisor to seek best execution on an Alternative Market outside the Default Market hours of operation. In such circumstances, the firm’s best execution procedures and practices are:

- Pre-Open vs Open Markets

When the Default Market is “pre-open” and one or more Alternative Markets are open, a client seeking to execute an order may be faced with certainty of execution (if there is a posted order on an open Alternative Market) and participating in the price discovery process in the Default Market pre-open. Haywood’s practice is to participate in the pre-open price discovery process, however the executing trader will use reasonable efforts to monitor open Alternative Markets for best execution opportunities. If such opportunities exist, the trader will use their best efforts to liaise with the client (or the client’s Registered Representative) to determine the client’s preference as to certainty of execution (on an open Alternative Market) or price discovery (in the pre-open Default Market).

- Closed vs Open Markets

If a client order is received and accepted by the firm for specific execution on an Alternative Market after the close of the Default Market, the firm will assess the intended execution price in relation to what was the closing market price on the Default Market. If the intended price differs from the closing price of the Default Market and the variance reasonably raises cause for concern, the firm in liaison with the client may attempt to “work” the order at prices more aligned with the Default Market closing price or choose to reject the order.

12. US Equity Markets

Haywood has order access agreements with a number of US broker dealers through which the firm may route its orders in US listed/quoted securities for execution on US marketplaces. Each of these US dealers in turn are subject to FINRA marketplace trade through rules, which promote best execution practices for those orders entered through those dealer trade systems. These dealers employ the use of smart order router and/or internal algorithms to ensure best execution practices between the various US marketplaces.

No less than annually the firm’s Head of Trading will review the firm’s available trader US dealer routing destinations to determine the optimal use of those destinations for best execution purposes and assess the adequacy of trader training for selecting the best execution order routing destination.

13. Canadian Listed Securities – Interlisted on Foreign Markets

Haywood is not permitted to intentionally trade through better priced orders on a Canadian marketplace in favour of seeking execution on a foreign market in an interlisted security. SORs are not, however, able to guarantee best execution in these instances, in large part due to the fluctuation in currency conversion. When trading interlisted securities with foreign markets, Haywood traders use their best efforts to assess the impact of currency conversion values to ensure best execution is satisfied on the Canadian marketplaces before transacting on a foreign market.

14. Best Execution Factors

Factors related to assessing and determining best execution can be broken down into differing segments as follows:

a) All Orders

- Price
- Speed of execution
- Certainty of execution

The above factors, with the emphasis on price, are the most important factors the firm considers when executing orders for Canadian listed securities on Alternative Markets. When there is no material difference between the factors, the cost of the transaction is then considered (see Execution Costs and Fees).

b) Differing Market States & Foreign Traded Securities

Including those factors under “a” above, Haywood will consider the following factors in determining best execution when executing orders on Canadian markets outside of the hours of operation of the Default Markets and when trading foreign listed securities:

- Assessing the fair pricing of opening order when determining where to enter an open order;
- Price conditions on open markets;
- Certainty of execution against the possible benefit of a price discovery process;
- Consolidated market order and pricing information;
- In the case of a foreign listed security, the knowledge and assessment of foreign dealer execution and pricing methods;
- Currency conversion pricing; and
- Cost calculations.

c) Canadian Listed Securities – Interlisted on Foreign Markets

Including those listed under “a” and “b” above, Haywood will consider the following factors in determining best execution when executing orders on a foreign market for Canadian interlisted securities:

- Direction of the market for the security;
- Depth of the posted market;
- Last sale volumes and prices;
- Size of the spread; and
- Liquidity of the security.

15. Execution Intermediaries

Any order that Haywood routes through a broker dealer intermediary (e.g. order execution on foreign markets), will be subject to the best execution policies and procedures of the executing intermediary.

Haywood reviews the best execution disclosures and practices of its execution intermediaries to ensure their policies and practices are designed to achieve best execution.

16. Execution Costs and Fees

Haywood remains informed of market developments and execution methods and practices in order to identify and properly address any conflicts of interest which may affect the quality of its best execution practices.

Factors that may create conflicts of interest are:

- Arrangements for payment or incentives for order flow;
- Marketplace “give or take” execution charges; and
- Commission splitting.

The firm does not engage in any payment arrangements for the routing of order flow to an execution vendor or marketplace and does not maintain any commission splitting arrangements in relation to order execution flow.

Marketplaces have different transaction cost structures that are designed to attract dealer order flow. Most notably, some marketplaces operate a give or take cost structure. As an example, a marketplace under a pre-designed formula will charge a transaction fee to a dealer for the posting of an “active” order while passing through a portion of that value received to the dealer who posted the “passive” order. This structure provides a financial incentive to the dealer who posted the passive order.

Haywood does not pass on to its clients the cost or any benefit of a marketplace transaction. This policy is intended to be revenue neutral. Haywood only considers the impact of a give or take transaction when all other best execution factors are determined to be neutral.