



BEST EXECUTION DISCLOSURE

Best Execution with Red Cloud Securities

The purpose of this document is to provide our clients with an overview of the Red Cloud Securities Inc. (“RCSI”) order execution policy and approach to achieving “Best Execution” in accordance with Universal Market Integrity Rules (“UMIR”) and applicable securities laws. RCSI is committed to using all reasonable efforts to ensure our clients achieve best execution of their orders.

Policies and Procedures

Best execution is governed by the Canadian securities regulators’ National Instrument 23-101: *Trading Rules* and Rule 3100 Part C of the Canadian Investment Regulatory Organization (CIRO). RCSI’s policies and procedures are designed to provide reasonable assurance of compliance with those regulations and will be amended to remain compliant with all industry rules and regulatory guidance.

Best execution is the requirement for marketplace participants to diligently pursue the execution of each client order on the most advantageous execution terms reasonably available under prevailing market conditions at the time of execution. Best execution includes many relevant execution factors at the time of execution, which may include price, liquidity, speed, certainty of execution, size and overall cost. Our best execution policy takes into consideration each of these factors and any others relevant to the order.

In accordance with the requirements under Rule 3100 Part C, our policies and procedures are reasonably designed to achieve best execution for our clients. These policies and procedures are subject to regular review as well as testing from our compliance team to ensure our best execution policies and procedures remain effective.

RCSI’s Trading Services

RCSI’s trade desk is located in Toronto and primarily trades in listed securities. All RCSI client order flow is handled by licensed traders on a manual basis. RCSI does not currently offer any Direct Electronic Access (“DEA”) trading.

Factors Considered to Achieve Best Execution

Price is the cornerstone of best execution; however, there are additional factors that may also be relevant in achieving best execution for our clients.

Certain execution factors may be more important than others given a particular situation, asset class, or client. RCSI considers the following broad factors within its best execution policies and procedures on handling client orders:

- Price
- Speed of execution
- Certainty of execution
- Overall cost of the transaction, when costs are passed on to clients

RCSI also considers the following factors which are more specific considerations of the above broad factors:

- Direction of the market for the security
- Depth of the posted market
- Last sale price and the prices and volumes of previous trades
- Size of the spread
- Liquidity of the security

Specific Client Instructions - Where clients provide specific instructions for order execution, RCSI will endeavor to execute the order in accordance with the client instructions on a best-efforts basis, while adhering to market conduct rules, regulatory requirements, and securities laws. Our regulatory and legal obligations as executing broker may prevent client instructions from being met.

Knowledge, Expertise and Training

RCSI traders who accept, and trade client orders have the appropriate licensing and expertise required to do so. All traders are supervised by senior management and compliance and subject to continuing education, which includes best execution obligations. The expertise of our traders is a key factor in ensuring we achieve best execution for our clients' orders.

When handling client orders, traders will apply their professional judgment given prevailing market conditions, while also considering:

- The client's needs
- The nature of the transaction
- The security
- The routing options available

Intermediaries

RCSI may access the following intermediaries:

- Fidessa (for the purposes of using their algorithmic trading capabilities)
- Fidelity Clearing Canada (for accessing other foreign markets)

Client orders may be subject to the order handling and routing practices of the intermediaries RCSI connects to. RCSI has reviewed our intermediaries order routing practices and are satisfied that they are reasonably designed to achieve best execution.

Fees, Payments and Commissions

RCSI may pay marketplace fees or receive marketplace rebates when routing client orders in Canada. Fees paid or rebates received are not passed along to RCSI clients. RCSI's routing strategies are not primarily based on fees or rebates.

Multiple Markets in Canada

The Canadian equity market is composed of multiple marketplaces, which include exchanges and Alternative Trading Systems ("ATs"). Under this arrangement, a single security can trade on multiple marketplaces.

In Canada, in order to achieve best execution, and meet Order Protection Rule ("OPR") obligations under National Instrument 23-101 (NI 23-101), RCSI connects to the following marketplaces and ATs: Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV), Canadian Securities Exchange (CSE and CSE2), CBOE (NEO, Neo-N, Neo-D), Nasdaq Canada Exchange (CXC, CX2 and CXD), and Omega ATS (Omega and Lynx).

RCSI does not have conflicts of interest with any of the marketplaces, ATs or intermediaries that it is connected to. Marketplace/ATS hours of operation can be found on their respective websites.

Best Execution – Technology

Achieving best execution is one of the primary objectives for RCSI's Best Execution Committee is to work with our trading platform provider, Fidessa (ION Group) to ensure that trading system is calibrated effectively. Trading and systems are monitored for accuracy and ongoing effectiveness in achieving best execution.

Smart Order Router

To help attain best execution, and maintain compliance with OPR under NI 23-101, when accessing electronic markets in Canada, RCSI employs Smart Order Router ("SOR") technology. The primary objective of the SOR is to achieve the best possible outcome for our clients' executions by scanning all protected markets to source out and execute against the best priced liquidity available. Unless otherwise directed or noted below, all orders default through the SOR.

Order Handling – Canadian Listed Securities

Unless an exception is made to help achieve best execution, or a specific client instruction is given, RCSI generally handles specific order types as follows:

Primary Marketplace - For those securities listed in Canada, the primary marketplace will be the Exchange on which the security is primarily listed. For orders executed on one or more marketplaces, the client trade confirmation will state that the purchase or sale was made "on multiple markets, details available". Full details of specific marketplace execution are always available to clients upon request.

Hours of Operation - RCSI trading staff will be available for order execution between the hours of 9:30 a.m. and 4:00 p.m., Eastern Standard Time ("EST"), Monday through Friday, not including Canadian statutory holidays. Staff may be further available before and after these hours; however, RCSI will not guarantee any order taking and/or trade execution outside of the hours noted above. Unless otherwise indicated, all time references are EST. On a rare occasion an exception may be made by RCSI to trade a US listed security on a Canadian statutory holiday. In this case, trades will be directed to BTIG for execution on a US marketplace.

Pre-Open and Post Close Orders - Unless an exception is made between RCSI trading staff and the client:

- An order received prior to 9:30 a.m. will book to the pre-opening of the primary marketplace for execution on the opening
- An order received after 4:00 p.m. will be entered the next business day to the pre-opening of the primary marketplace

Day Orders - A Day Order ("DO") is an order that is only valid on and for the day it is entered. DO's will only be valid between the hours of 9:30 a.m. and 4:00 p.m. A DO received prior to the opening of the primary marketplace at 9:30 a.m. will not route to an alternative marketplace. Instead, the order will route into the opening sequence of the primary marketplace. If received after the opening of the primary marketplace, the order will be routed for trading via a Smart Order Router ("SOR"). This will ensure that any immediately executable portion of the order will trade against the best price available, according to the order's limit, on any protected marketplace. The unexecuted portion of the order will then book on a marketplace according to the specific SOR settings, or according to parameters as selected by the trader. Any untraded portion of a DO will expire at 4:00 p.m.

Special Terms Orders - Special Terms Orders ("STO") are orders with specific terms that are not immediately executable in the regular marketplace. STO's will only post to the Special Terms Market of the primary marketplace unless they are immediately executable on an alternative marketplace at the time of entry. STO's will only be live between 9:30 a.m. and 4:00 p.m., at which time they expire unless "Good Till" instructions are applied to the order at time of entry.

Good 'Till Cancelled Orders - Good 'Till Cancelled Orders ("GTC") are orders that the client wants to remain open until a specified date of expiry. These orders will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace RCSI has access to. Any unexecuted portion of the order will then book on a marketplace according to the specific SOR settings or according to parameters as selected by the trader. The order will remain in the system until it is executed or expires. It is the client's responsibility to ensure they know what the date of expiry will be and to contact their IA/RR on the expiry date should they wish that the order be reinstated.

Market Orders - A Market Order ("MO") is an order where the client has instructed a dealer to buy or sell at whatever prices are available in the marketplace to help ensure a complete and full fill. These orders require immediate completion. If the trader determines, based on market conditions, that immediately trading the entire order would not be in the best interest of the client then the client will be consulted, and the trade desk will manage the order accordingly. A MO received prior to the opening of the primary marketplace at 9:30 a.m. will not book to an alternative marketplace. Instead, it will book into the opening sequence of the primary marketplace. If received after the opening of the primary marketplace the order will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace. Any unexecuted portion of the order will then book on a marketplace according to the specific SOR settings, or according to parameters as selected by the trader. Any unfilled portion of the order will expire at 4:00 p.m. (unless otherwise agreed upon between the client and the trader of RCSI).

Market on Close Orders - A Market on Close ("MOC") order must trade on the close at the calculated closing price of the primary marketplace. Currently the TSX and TSXV are the only marketplaces that offer a MOC facility. Please be advised that this is an anonymous price facility. Execution price will only be available after execution is complete. Limit orders are allowed but may, by the nature of a limit order, negate execution. For further details of this facility, please contact your IA/RR.

Limit Orders - A limit order ("LO") has a specific minimum sale price or maximum purchase price provided by the client. A LO received prior to the opening of the primary marketplace at 9:30 a.m. will not book to an alternative marketplace. Instead, it will book into the opening sequence of the primary marketplace. A LO received on or after 9:30 a.m. will be routed for trading via an SOR. This will ensure that any immediately executable portion of the order will trade against the best price available on any protected marketplace. The unexecuted portion of the order will then book on a marketplace according to the specific SOR settings or according to parameters as selected by the trader. Any untraded portion of the order will expire at 4:00 p.m. (unless otherwise agreed upon between the client and the trader).

Stop Loss Orders - Stop Orders ("SLO") are currently not accepted by RCSI.

Moving Orders

RCSI will not typically move a client order to another marketplace, thus losing priority, unless we identify that the order has created a locked or crossed market.

Bulk Order Routing

RCSI does not intentionally route securities outside of Canada for execution based on their eligibility to execute on foreign markets.

Foreign Order Execution

RCSI would consider executing on a foreign exchange if specific instructions are received from our client. RCSI considers the following when handling foreign orders: speed of execution, opportunity costs of losing better priced fills for delays, and exposure to fluctuations in the FX rate and settlement risk. RCSI

may also consider trading on a foreign market if we feel the client could benefit from trading through a cross border best priced algorithm.

Orders executed outside of Canada will be executed through an intermediary broker. These orders will be required to be executed in accordance with local rules and regulations applicable to the executing broker and may result in the executing broker applying different criteria to the assessment of execution quality. The executing broker may also have acted as principal or agent and may have derived compensation from the transaction. Stamp fees and/or foreign levies may be passed along to clients for execution into these foreign markets.

RCSI's intermediary broker attests that their policies and procedures, and those of their foreign intermediaries are reasonably designed to attain best execution.

Over-The-Counter Securities

Over-the-counter ("OTC") securities, for the purpose of best execution under Rule 3125, refers to securities that are not executed on a marketplace. For RCSI, these would be unlisted securities and private unlisted issuers.

In accordance with CIRO Rule 3125, RCSI must make reasonable efforts to ensure that client trades in OTC securities are executed at prices that are fair and reasonable in relation to prevailing market conditions. When determining best execution, the price, as well as any commission or mark-up are considered in the client's over-all price.

Some of the pricing sources used to determine fair price may include information from: valid electronic trading platforms, outside liquidity providers, general canvass of various sources (i.e. clients, sales people, dealers, issuers) etc.

Governance and Oversight

Best Execution Committee - The RCSI Best Execution Committee has oversight of our best execution obligations and strategy. The Committee meets at least annually to review this policy as well as our order execution arrangements.

The objective of the annual review is to assess whether there is an opportunity to improve the quality of order execution for our clients. It is also an opportunity to determine if current monitoring for best execution remains fulsome and effective. Additional meetings may be needed if there is a material change that may impact our ability to obtain best execution for our clients on a consistent basis given the policies and procedures in place.

Events that may trigger a Committee meeting:

- New or departing liquidity providers
- Change in trade technology
- Change in liquidity patterns on a marketplace or other marketplace events
- Regulatory change with respect to best execution and best price
- Trade observations (for example, fill rates)
- Best execution feedback from traders, clients, compliance or technology

The Committee will use available reporting to review areas affecting best execution, such as:

- *Liquidity Sources*: Are current sources providing appropriate levels of liquidity?
- *SOR Settings*: Does RCSI need to consider any SOR setting changes to help bolster better execution, in consideration of marketplace reporting, asset class consideration, special order handling, and other factors? Is order routing logic consistent between trading applications, where applicable?
- *Training*: Is additional training required for individuals responsible for attaining best execution for client orders (i.e. trading, technology, compliance)?
- *Reporting/Analysis*: Discuss any observations from reporting (i.e. trade, regulatory, internal, etc.) that may need to be addressed to improve best execution.
- *Monitoring*: Re-evaluate the monitoring program, including the sampling methodology, to ensure it remains thorough and effective.
- *Intermediary Testing/Best Execution*: Ensure intermediary testing and best execution certifications are current.

If you have any questions about our Best Execution policies or procedures, please contact your RCSI representative. This document is published and updated as necessary on our website at www.redcloudsecurities.com