

## Appendix C: Conflicts of Interest Disclosure

Under Canadian securities laws, securities dealers and advisors are required to provide their clients with all information that a reasonable investor would consider important about their relationship with the dealer or advisor. Senior management of SANDSTONE are committed to maintaining the highest ethical standard and will strive to ensure that our client's interests are placed first.

SANDSTONE has processes in place to identify potential conflicts (as discussed below). Actual, potential and perceived conflicts of interest exist in almost all human interactions. Our relationship with you is no different.

SANDSTONE is what is referred to as an "introducing broker" investment firm. Our client accounts are held in a custody arrangement with our "carrying broker" Fidelity Clearing Canada ULC – which executes, settles, and reports all your trade activity to you and provides SANDSTONE (and consequently you) with a contractual indemnity assuring you that the investments shown on your statements are held by them as custodian.

The general types of conflicts of interest which can arise are:

- Conflicts of interest between you and us
- Conflicts of interest between you and our other clients
- Conflicts of interest between us and our related and associated companies
- Conflicts of interest between you and our vendors

### **MANAGEMENT OF CONFLICTS OF INTEREST**

SANDSTONE has established a Conflicts of Interest (COI) committee, which consists of the Chief Financial Officer (CFO), the President, and the Operations Manager to manage the process.

SANDSTONE's procedure to identify and assess material conflicts of Interest is based on the IIAC Conflict of Interest Self-Assessment Tool (<https://iiac-accvm.ca/wp-content/uploads/Conflicts-of-Interest-Self-Assessment-and-Materiality-Weighting-Considerations-June-1-2012.pdf>). Approving and assessing any conflicts of interest shall be performed according to IDPC Rule 3100, Part B, National Instrument 31-103 Part 13.4, and IIROC Notice 17-0093 (Managing Conflicts in the Best Interest of the Client – April 2017).

SANDSTONE's COI committee is tasked with testing the firm's conflicts of interest procedures on at least an annual basis and documenting the results of the testing against the rules and regulations presented

above, and any other rules, regulations, or guidelines that may be forthcoming in order to maintain SANDSTONE's compliance.

In general, we deal with and manage relevant conflicts as follows:

1. **Avoidance:** Our primary method of managing conflict is to avoid business models and activities here conflicts of interest can be created.
2. **Control:** If we cannot avoid the potential conflict, we attempt to control the detrimental impact of any conflicts of interest. This may include and is not limited to: physically separating different business functions, limiting the internal exchange of information and independent approval / supervision to ensure a conflict is not acted upon to your detriment.
3. **Disclosure:** Finally, if we are unable to avoid the potential conflicts, we will provide you with information about the conflicts and explain to you how they are controlled, which enables you to independently assess their significance to your investment decisions.

Overall, we will try to avoid conflicts of interest where possible and in all other cases disclose the conflict and manage it through internal controls and review processes. Disclosures will be made in a timely, meaningful, and prominent manner and will sufficiently explain the conflict of interest and how it could affect the service being offered, as well as how it is controlled.

#### **SPECIFIC DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST – SANDSTONE GLOBAL GROWTH POOL**

SANDSTONE began investing via the Sandstone Global Growth Pool (SGGP) to allow smaller accounts (e.g., RESP, TFSA, etc.) to mirror large accounts while providing access to investments restricted by size and liquidity. SGGP is an affiliate of SANDSTONE. SANDSTONE is the investment manager for SGGP. The Trustee for SGGP is 1427933 Alberta Ltd., a subsidiary of SANDSTONE.

The reasons there is no conflict of interest are as follows:

1. SANDSTONE does not directly compensate Directors, Portfolio Managers, or employees based upon investments into SGGP.
2. There are no conflicts between employees and clients, as SGGP is not available to the public, therefore, not available for external access.
3. SGGP is not for sale outside of SANDSTONE and is exclusively for internal clients. There is no transferability, therefore, there is no conflict.
4. All management fees and operating expenses are disclosed to clients via the Managed Account Agreement.
5. All employees and officers are encouraged to invest in SGGP and not operate accounts outside of SANDSTONE and thus avoid unintended conflicts. If outside accounts are

- operated, independent supervision of the trading activity is conducted to ensure no conflicts of interest are occurring.
6. 1427933 Alberta Ltd. (the Trustee) exists as a necessary regulatory entity for the purpose of SGGP, rather than an ongoing business concern and does not receive compensation.
  7. The independence in the investment committee composition is assured by the committee having an independent member (Karen O'Connor). The investment committee members do not receive any compensation or consideration for being part of the committee.
  8. The Trustee does not compensate its officers or Portfolio Managers. Additionally, SANDSTONE does not compensate its directors, shareholders, or employees for their positions in the Trustee.

Based on SGGP's transparency, consistent investment philosophy with SANDSTONE's other growth-balanced accounts, and lack of direct compensation, we feel SGGP provides opportunities and is strictly a service to our clients. Therefore, this does not present a conflict in any way.

#### **SPECIFIC DISCLOSURE OF POTENTIAL CONFLICT OF INTEREST – InterGen**

Sharon Watkins is a Director of InterGen, a non-profit organization that is committed to accelerating the growth and scale of high potential Alberta companies by pairing them with business talent that is committed to our province's future. InterGen created InterGen Capital L.P. (the "Fund"), a for-profit venture fund designed to enable high-potential companies to seize global opportunities.

SANDSTONE has purchased units of the Fund for its clients' managed accounts and its Sandstone Global Growth Pool. The risk to the client is that Sharon may have a conflict where her fiduciary duty to InterGen may conflict with her fiduciary duty to her clients. This risk is managed by SANDSTONE maintaining an Investment Committee (three members, one of which is independent) and InterGen maintaining a Board of Directors (seven members) to manage their investments. InterGen has an independent fund manager tasked with identifying potential investments. InterGen's Board of Directors role is to approve only investments that meet InterGen's investment fund mandate. No Material Non-Public Information exists, as investments are limited to private issuers. At the time an entity becomes public, they liquidate the investment.

Independent research on investment candidates is made by the staff of InterGen and presented to the Investment Committee and the Board of InterGen. Therefore, directors do not influence investment candidates and research.

Sharon is one member of each of SANDSTONE's Investment Committee and InterGen's Board of Directors. Sharon is one of seven Directors on the InterGen Board, and her primary role is to ensure the investment mandates of the InterGen fund are met, as well as general governance. SANDSTONE agreed



to only invest in InterGen if Sharon had a seat on the Board of Directors to ensure that these mandates are followed. The intent is to advance the interests of SANDSTONE's clients according to the fiduciary responsibility to SANDSTONE clients.

Sharon does not receive any compensation from InterGen and is able to monitor the investment quality of the Fund, which is a benefit to SANDSTONE clients. InterGen has conflict of interest procedures that Sharon must comply with. The allocation of funds invested on behalf of SANDSTONE clients in managed accounts and Sandstone Global Growth Pool is small and well within the mandate of SANDSTONE's investment policies.

In the event that any employee or member of the Investment Committee feels that there exists the potential for a conflict of interest, they are encouraged to bring their concern to the Chief Compliance Officer (CCO), who will determine jointly with the COI committee the appropriate course of action.

## GENERAL DISCLOSURE OF CONFLICTS OF INTEREST

The following information is intended to assist you in understanding and assessing material potential and actual conflicts of interest, including how we address them. This is an overview of a complex subject. Despite that, we believe the simplest control is the most effective – your continued satisfaction and patronage. If you have any questions or concerns, whether they involve conflicts of interest or anything else, you should never hesitate to say so and ask your advisor for an explanation and more information.

CONFLICT OF INTEREST	STRATEGY	HOW THE CONFLICT IS MANAGED
SANDSTONE is registered to manage and sell its own product – Sandstone Global Growth Pool.	Disclose & Control	SANDSTONE does not directly compensate employees for investments sold to investors. We endeavor to be transparent in disclosing management fees to fully inform clients in advance so that they know what they will be paying.
Personal trading of management and staff of SANDSTONE.	Avoid, Control & Disclose	SANDSTONE encourages all employees to invest in SGGP and avoid unintended conflicts. Firm and employee trades are identified as such and client trades are given priority to firm and employee trades in accordance with industry regulations. Employees are allowed personal trading accounts at other registered firms on approval by the CCO. They must supply a duplicate copy of all external statements to SANDSTONE’s CCO.
If the client has a managed account, we have discretion or control over the transactions in their account.	Disclose & Control	Regulations require that we disclose and obtain the client’s specific approval to invest their funds based on criteria agreed upon in their Managed Account Agreement. We have oversight mechanisms in place to ensure we adhere to the MAA.
We may receive compensation from third parties based on their products that we invest in on clients’ behalf, such as `trailer fees` on mutual funds.	Avoid & Disclose	We avoid where possible. If we are unable to offer a certain account/product (e.g., RDSP) we disclose the special situation and type of third-party compensation we may receive.
SANDSTONE may have access to commercially sensitive or inside information.	Control	We have specific procedures for responding to conflicts of interests that involve inside information and for complying with insider trading provisions.
Our custodian may compensate SANDSTONE as a result of the business you do with us, including interest spreads on un-invested cash deposits with us.	Disclose & Control	We disclose all potential compensation that we may receive to our clients.

Employees of SANDSTONE may volunteer from time-to-time as a Board of Director and/or on an advisory committee of various charities, foundations and not-for-profits.	Disclose	All employees estimate how many hours per month their commitment requires and reports this via a <i>Conflicts Log</i> to the CCO.
We may need to select which clients will be offered certain securities if availability is limited.	Avoid	We have a 'fair allocation' policy for management accounts.
We may permit individuals who are registered with SANDSTONE to be employed by, participate in, or accept compensation from other persons or firms, outside the scope of his/her relationship with SANDSTONE.	Disclose	These relationships are subject to industry and regulatory requirements that impose restrictions on dealings between related registered firms and/or individuals that are dually registered with a related registered firm. We have also adopted internal policies and procedures that supplement the regulatory requirements, including policies on privacy and confidentiality of information.
If you hold a security of a public issuer that is involved in a takeover bid, corporate reorganization, solicitation of proxies and other corporate actions, we may receive compensation from issuers, offerors or others, to solicit your proxy or vote in their favour with respect to these actions.	Disclose	Securities regulations require specific disclosure by the issuer of such arrangements and the compensation we will receive in documents such as information circulars, takeover bid circulars and issuer bid circulars.
Individuals who are registered or employed with SANDSTONE may participate in non-brokered private placements in advance of the shares being available on public markets.	Control	Members of the committees oversee Non-Brokered private placements are either prohibited from personally participating in these deals or not allowed to participate in the approval process if they plan to participate in the deal under consideration.
SANDSTONE may receive soft dollars when executing trades.	Disclose	We inform our clients that all soft dollars that we receive are invested in research.

## MORE INFORMATION

Canada has comprehensive and extensive securities regulatory rules and regulations, many of which are directed at protecting client and investor interests, including dealing with conflicts of interest. We suggest that you refer to the websites and publications of the provincial securities commissions through the Canadian Securities Administrators (CSA) and Investment Industry Regulatory Organization of Canada (IIROC) for more information on how Canadian securities regulations address conflicts of interest to safeguard the investing public.