



Client Relationship Disclosure Document

What is the purpose of this document?

The Canadian Securities Administrators, who govern our registration, require that we deliver to each of our existing and potential clients a disclosure document which details the nature of our relationship with you, identifies the services we offer, discloses all of the costs to operate an account and describes the types of risks that a client should consider when making an investment decision. If you have questions related to any of the information contained herein, please do not hesitate to contact our Client Service Department.

Who is LDIC Inc.?

LDIC Inc. is a registered Portfolio Manager. Founded in 1998, LDIC Inc.'s main focus was to be a highly disciplined and performance oriented independent portfolio management firm offering a genuine financial service to its clients. Our clients are primarily high net worth individuals, trusts, estates, pension funds, corporations and institutions.

The Firm's performance is the direct result of a disciplined approach and prudent management. LDIC Inc.'s investment philosophy is value investing in individual companies while keeping abreast of global influences from different sectors and geographical regions.

We have positioned ourselves as providers of personalized investment counseling that pursue investment strategies designed to achieve notable wealth preservation and creation for our clients through all market cycles.

What service does LDIC Inc. provide?

LDIC Inc. is an organization which provides portfolio management services only. We manage portfolios on a discretionary basis which means that LDIC Inc. has the authority to buy and sell securities within your account(s) without first asking your permission, provided we believe we are selecting investments which suit your needs. To that end, we spend time to get to know you, including your income requirements and your tolerance to risk. Much of this information is documented in our custodian's New Account Application and Suitability form which includes various questions which we are legally obligated to ask. We will develop the investment policy guidelines for your portfolio. It is very important you read and understand your investment policy statement as it outlines the overall asset mix we will follow when managing your portfolio. It also lists the types of investments we may purchase and any restrictions you wish to put into effect. LDIC Inc. portfolios may be managed on a segregated basis or through the Redwood Funds. Segregated management means that your portfolio holds individual stocks and/or bonds. If you hold units of the Redwood Funds your investments will be combined with other investors. The fund then holds the individual stocks and/or bonds and cash reserves. Generally, it is more costly for smaller investors to build a segregated or separately managed portfolio. When we meet to discuss investment options, we will work with you to determine the most suitable route for you to take. Irrespective of the size of your portfolio or the type of portfolio we construct for you, our firm must adhere to the following policies:

- The Standard of Care requires that LDIC Inc. act honestly, in good faith and in the best interests of each client
- Best Execution requires that, when we trade on your behalf, we seek the best overall price possible at the time
- With respect to the Use of Brokerage Commissions it is LDIC Inc.'s duty to handle clients' commissions in a wise and judicious manner
- Fair Allocation requires that LDIC Inc. not intentionally favour or disfavour any client or in the allocation of investment opportunities
- In order to avoid any potential Conflicts of Interest LDIC Inc. personnel must always put the needs of clients above their own
- Respect of Privacy and Confidentiality

We will send you statements, at least quarterly to provide you with information on your portfolio including details of holdings, performance returns and our views on the economy and the markets in general.

What are the advantages of investing with LDIC Inc.?

- Disciplined approach and prudent management
- Proven investment performance
- Stability and depth of personnel
- Experienced in-house research team
- Segregated private account management
- Independent with no corporate affiliations
- Commitment to minority shareholder rights

How does LDIC Inc. provide these services?

LDIC Inc.'s primary goal is growing capital for its clients in a disciplined manner. The firm's philosophy is founded upon disciplined, time proven principles of fundamental investing. We construct diversified, high quality portfolios that are designed to preserve the real purchasing power of our clients' funds with minimal risk and to achieve long-term growth for our clients. This approach has been particularly effective in minimizing the volatility prevalent in today's global markets. LDIC Inc.'s investment philosophy has not changed throughout the history of the firm. We employ a disciplined approach toward the management of both equities (stocks) and fixed income (debt) investments. Securities of companies that the firm believes to be speculative are avoided. Investing in proven, well-managed, high quality companies which are financially sound minimizes portfolio risk. This approach is reinforced through extensive in-house equity and fixed income securities analysis. The firm believes high quality equities are the best source of long-term growth for a portfolio, while bonds should provide income to meet current requirements. LDIC Inc. uses a number of risk controls in order to reduce volatility and preserve capital over the long term:

- Emphasis on long term trends
- Fundamentally based research
- Focus on high quality stocks
- Portfolio diversification
- Medium to low portfolio turnover (reducing costs and promoting tax efficiency for taxable investors)

The foundation of LDIC Inc.'s investment approach is an emphasis on fundamental research. The firm follows a bottom-up investment process, focusing on companies that are regional or global leaders in their industries. Each investment candidate must meet four criteria to be considered for purchase:

- Strong management
- Sustainable growth in earnings and cash flow
- Sound balance sheet
- Reasonable valuations

The firm relies primarily on internal resources to develop strategy and generate investment ideas. Each year, our investment professionals visit many Canadian and International companies. We supplement this schedule of company visits with internal research and database services.

What types of portfolio does LDIC Inc. specialize in?

The firm constructs diversified balanced portfolios consisting of fixed income assets as well as North American equities. The objective is to add value through longer term asset mix positioning rather than short term trading. The portfolio's volatility is kept to a minimum by implementing only gradual asset mix changes and a "buy and hold" strategy. LDIC Inc.'s equity style primarily emphasizes buying long-term growth at a reasonable price. Additional details regarding these mandates as well as how the firm manages portfolios for high net worth individuals, are available upon request.

Who runs LDIC Inc.?

LDIC Inc. is totally independent with no corporate affiliations. The firm is controlled by Michael B. Decter, Beryl McCallum and a Board of Directors.

LDIC has always recognized that the basis for investment success lies in having the strongest possible team of investment professionals. The firm has built an organization based on strong research and portfolio management abilities and continues to expand its team.

Who makes the decisions for my account?

LDIC Inc.'s Investment Management team are responsible for all key investment decisions at the firm. The process includes a detailed discussion of domestic and international macroeconomic factors, relative valuation levels of equity versus fixed income markets, as well as internal forecasts of interest rate trends, currency levels and corporate profits. Decisions of LDIC Inc.'s Investment Management team are promptly conveyed to all of the firm's investment professionals. LDIC Inc. makes trading decisions for those client portfolios which mirror the firm's Models. Decisions for clients whose portfolios do not directly follow the firm's Models, either due to size or specific client constraints, are implemented according to each client's investment objectives and guidelines.

What are LDIC Inc.'s fees?

LDIC Inc. earns fees for investment management only, based on the value of assets under management. As fees will have a direct impact on the long term performance of your portfolio, we strive to keep them as low as possible. Fees are paid to LDIC Inc. quarterly for services an amount equal to 3/12 of the management fee, determined according to the specific fee options selected, and are based on the average of the three month end values of the portfolio. We ensure no account is double billed by a reconciliation process quarterly of fees payable against fees received from your custodian.

For investments in any of the Mutual Funds that LDIC Inc. is the Advisor, the fees are taken out of the Mutual Fund by the Manager, Redwood Asset Management Inc. LDIC Inc. does not include the Mutual Fund's asset value you own in the calculation of your LDIC Inc. management fee.

Segregated LDIC Inc. Accounts

Flat Rate Option

Under \$2 million	1. 00% per annum
Next \$2 million to 10 million	0. 75% per annum
Greater than \$10 million	0. 40% per annum

OR

Performance Rate Option

On the first \$2 million	0. 5% base + 15% of total return in the year in excess of 10%
On next \$2 to \$10 million	0. 5% base + 5% of total return in the year in excess of 10%
On accounts greater than \$10 million – Negotiable	

The performance rate option is an annual discrete calculation. It is not based on a high watermark.

What services does LDIC Inc. not provide?

LDIC Inc. does not provide the following services:

- Custody
- Brokerage
- Tax Advice. Actuarial Advice or Financial Planning

The Custodian is the company which holds your assets or funds. This provides clients with an extra layer of protection as our firm is only authorized to make investment decisions for your portfolio. Except for the pre-authorized payment of our fees, LDIC Inc. is not permitted to access client funds or to transfer funds from or to your account. The Custodian is the official "book of record" for all tax and income reporting. You will receive monthly holdings and transaction statements from your custodian in addition to the statements you receive from LDIC Inc. It is the custodian who issues tax slips and transfers funds to you when needed. LDIC Inc. does not act as a Broker. Except where specifically directed by the client, LDIC Inc. will select the broker to use each time we execute trades within your portfolio. LDIC Inc. will construct portfolios in the most tax efficient manner possible but we are not Tax Advisors nor are we Financial Planners. Pension clients will require Actuarial Advice. We strongly recommend you seek advice from these professionals before you engage a portfolio manager.

What other fees can I expect to pay?

Traditional custodians or trust companies charge a fee based on the value of your portfolio. They may also charge fees for each transaction within the portfolio. The fee is agreed upon between you and the custodian within the terms of your contract with them. Brokerage firms generally do not charge a fee to act as custodian; instead they make their money from the commissions charged on every purchase and sale within your portfolio. When your portfolio is held at a traditional custodian and LDIC Inc. has full discretion to select the broker to use for your account. Commissions may range from 1% of principal to \$0.03/share and \$20.00 minimum. From time-to-time, LDIC Inc. may determine that using an outside broker is the best option, either to get access to a particular investment or to obtain a better price for you.

Soft Dollar Arrangements

A soft dollar arrangement is defined as an agreement between a Firm and an executing broker for payment of order execution or research services only, provided a reasonable benefit to the portfolios in relation to the commissions paid, and reasonably benefit all portfolios that effectively pay for these services. LDIC Inc. currently has a soft dollar arrangement in place with executing brokers.

How do I access my cash and how much notice is required?

Whenever you wish to add or withdraw funds from your portfolio, you must communicate this to LDIC Inc. If short-term funds are available, LDIC Inc. requires one business day notice before cash may be withdrawn. If stocks or bonds must be sold, please provide us with at least five days' notice prior to the date cash is required. Deposits to your portfolio must be sent directly to LDIC and payable to the custodian. For your protection, no LDIC Inc. employee is permitted to handle cash on behalf of client portfolios.

Who are my contacts at LDIC Inc.?

A client service team is assigned to ensure a direct line of communication and accountability. Our objective is to build long-term relationships with our clients through regular, direct contact. We encourage both formal and informal meetings to discuss investment policy strategy and capital market conditions. Your primary contact at LDIC Inc. is the client service team.

When should I contact you?

You should feel free to contact us at any time you have a question or concern regarding your portfolio, the economy or the markets. In order to be in the best position to make suitable investments on your behalf, please keep LDIC Inc. up to date with respect to any changes which might impact your Investment Policy. This includes letting us know if your circumstances change or if any of the information which you provided in your Account Application form requires updating. These include an address change, a job change, a change in your income requirement or tax situation, a change of authorized signatories for your account. As well, if you enter a securities lending arrangement with your custodian or when you change accountant, consultant, custodian etc.

Why is the Investment Policy so important?

The Investment Policy is the document we use whenever we assess the suitability of a trade for your portfolio. This document has been drawn up to meet your specific investment objectives, income needs and risk tolerance. It outlines ranges of assets and the various types of investments which you have determined are acceptable to you and which we have determined are suitable to help you reach your goals.

How often should I hear from you?

Segregated high net worth clients receive a quarterly statement (depending on the arrangement) which details the specific changes in their portfolio. Meetings or discussions are useful in order to review performance and to ensure your investment policy guidelines still meet your requirements. We encourage clients to let us know how frequently they would like to meet or hold these discussions.

How do I read a performance report?

Performance returns represent a complex calculation of the growth of your investment portfolio which incorporates all dividend and interest income owed to you. The calculation removes the impact of any contributions or withdrawals you have made to the portfolio so you can gauge how the

portfolio would have grown without any of this activity. When comparing returns for periods greater than one year, the annualized or average annual return over the reported number of years is used as it is easier to think in terms of standardized annual time periods. Total portfolio returns list the performance of your overall investments and can be compared against an appropriate index benchmark or a benchmark of various market indices, calculated according to the target asset mix you have set for your account.

How do I buy and sell securities on my own?

The accounts LDIC Inc. manages on your behalf are discretionary which means you have given us the responsibility to purchase and sell securities on your behalf, provided we believe the transaction to be suitable for your portfolio. The regulators which govern our industry will not permit us to enter trades at your request without extensive documentation. Should you wish to invest a portion of your account on your own a separate brokerage account is required for this purpose. We will not be able to accommodate you direct trading instructions from you.

What do I do with Proxy, Corporate Action and class Action notices that I receive?

LDIC Inc. is responsible for corporate action as well as proxy voting decisions for your portfolio. All such information should; therefore, be forwarded the custodian directly to our firm. If this information is sent to you in error, please feel free to forward it on to LDIC Inc. On a best efforts basis and where we believe there is merit for a successful claim, we will review Class Action material we receive and endeavour to file these claims on your behalf if we, as manager, bought or sold the securities in question. If we believe your custodian already provides this service to their clients then we will not file a claim.

What are the tax Implications of my investments?

For taxable investors, the interest earned from fixed income investments is generally taxed at a higher rate than the tax for the dividends earned from equities. Capital gains taxes are owed once you sell an investment at a price higher than what you originally paid. LDIC's Inc. "buy and hold" strategy is intended to allow your portfolio holdings to grow in value over time. As an example, for a given stock which grows consistently over a 6 year period, the ending value of your portfolio would be greater, an other things being equal, if we simply buy and hold the stock for 6 years rather than trade more frequently, selling the stock at the end of each year and then buying back 30 days later. Brokerage commissions will also be lower when trading less frequently.

Who provides me with tax Information?

Your custodian is responsible for providing you with all tax slips and year-end summaries.

What do I do if I have a complaint?

Should you have any concerns or complaints, we encourage you to raise these directly to LDIC so that LDIC can resolve the issue to your satisfaction.

Types of investment risks to consider

Risk-return trade-off

Risk and return are closely related. This means that to obtain a higher return, you may have to accept a higher level of risk. A higher risk portfolio is generally less stable and fluctuates more. The more a portfolio return fluctuates, the more risk is associated with the portfolio. It is therefore important to understand what we mean by "fluctuation"; within a given period of time a security may fluctuate, that is, it may suffer losses and realize gains. High-risk investments generally offer higher long-term

returns than safer ones. Since they fluctuate more, high risk investments may post more negative short-term returns, compared to lower-risk investments.

What are the general risks of investing?

Your investment is not guaranteed; therefore, the greatest risk to you as an investor is you could lose all or part of your investment. Portfolios own different kinds of investments depending on their investment objectives. The value of investments in any portfolio will fluctuate on a daily basis, reflecting changes in interest rates. Economic conditions, markets and company news affect the value of any portfolio's securities and may go up or down. This means the value of your investment when you sell may be more or less than when you bought. The following is a list of risks which may affect your portfolio. We are required to list all types of investment risk, even those which are not relevant to how we manage your portfolio. Please do not hesitate to contact LDIC Inc. should you wish to review the specific risks which relate to you.

Risks relating to concentration

If a portfolio invests a large proportion of its assets in securities issued by one issuer, in a single asset class or in a single sector, it will have risk relating to concentration. When a portfolio is not diversified, it could experience greater volatility and will be strongly affected by changes in the market value of these securities.

Risks relating to credit

A portfolio can lose money if the issuer of a bond or other fixed income security cannot pay interest or repay principal when it comes due. This risk is higher if the fixed income security has a low credit rating or no rating at all. Fixed income securities with a low credit rating usually offer a higher yield than securities with a high credit rating but they also have the potential for substantial loss. These are known as "high yield securities".

Risks relating to companies listed on stock markets

The value of a portfolio will increase or decrease with the market value of the securities in it. If a portfolio holds stocks, the value of its securities will fluctuate with the market value of the stocks it holds. The market value of a stock will fluctuate according to the performance of the company that issued the stock, economic conditions, interest rates, stock market tendencies and other factors. Historically, equity securities are more volatile than fixed income securities. Securities of small market capitalization companies can be more volatile than securities of large market capitalization companies.

Risks relating to interest rate fluctuations

Investments are affected by interest rate fluctuations. A drop in interest rates may reduce the return of money market securities. An increase in interest rates may reduce the return of portfolios holding debt or fixed income securities.

Risks relating to currency

Whenever a portfolio buys assets in a currency other than the base currency (is generally Canadian dollars), there are risks relating to exchange rates. Some client portfolios denominate the value of their securities in both U.S. and Canadian dollars. The value of their securities denominated in Canadian dollars will fluctuate in relation to the U.S. dollar.

Risks relating to liquidity

Liquidity refers to the speed and ease with which an asset may be sold and converted into cash. Most of the securities held by a portfolio may be sold easily at a fair price and thus represent investments which are relatively liquid. However, a portfolio may invest in securities which are not liquid, i.e., which may not be sold quickly or easily. Some securities may not be liquid because of legal restrictions, the nature of the investment or certain characteristics of the security. The lack of purchasers interested in a given security or market could also explain why a security may be less liquid. The difficulty of selling illiquid securities may result in a loss or a reduced return for a portfolio.

Risks relating to small companies

Small companies can be riskier investments than larger companies. For one thing, they are often newer and may not have a track record, extensive financial resources or a well-established market. This risk is especially true for private companies or companies that have recently become publicly traded. They generally do not have as many shares trading in the market, so it could be difficult to buy or sell small companies' stock when it needs to. All of this means their share prices can change significantly in a short period of time.

Risks of using borrowed money (leverage) to finance the purchase of a security

When an investor uses borrowed funds or margin accounts to fund a security purchase, they risk losing more than the value of their initial investment should the security lose much of its value; the investor still has to reimburse the full value to the lender. Including interest charged.

Risks relating to derivatives

What are derivatives?

Derivatives are investment instruments such as futures and options. Usually, derivatives grant the right or require the holder to buy or sell a specific asset during a certain period of time. There are several types of derivatives, each based on an underlying asset sold in a market or on a market index. A stock option is a derivative in which the underlying asset is the security of a major corporation. There are also derivatives based on currencies; commodities and market indexes.