

PE GATE

YOUR GATEWAY TO

Private Equity

CLIENT RELATIONSHIP DISCLOSURE INFORMATION

Update June 2021



General

PE Gate Partners (“PE GATE” or “We”) is registered as an exempt market dealer in Ontario, Canada. We are required under applicable securities laws to deliver to our clients all information that a reasonable investor would consider important about your relationship with us including, but not limited to, the services we offer, the fees and expenses we charge you, how we attempt to mitigate conflicts of interest and the risks that you should consider when making investments. Some of the information we are required to provide about our relationship with you may be contained in other documents we have provided to you or will provide to you from time to time.

We encourage you to read this document carefully to understand its contents. If you have any questions relating to the contents of this document, please contact us by telephone at 416-333-7477, or by e-mail to ara@pe-gate.com

If there is a significant change to the information contained in this document it will be made available to you in a timely manner.





Nature and type of client's account

PE GATE aims to bring investment opportunities in private businesses to its network of accredited investors (“Members”). Members will have access to vetted investment opportunities in private businesses. Members are not charged membership fees for having access to such opportunities nor are they charged any administrative fees. When investment opportunities are identified, PE Gate shares a teaser document summarizing the investment opportunity on a no-name basis. Members are then given the opportunity to evaluate the opportunity and indicate their interest (“Potential Investors”) and commitment to invest and fund the estimated fees for due diligence and legal expenses. Once sufficient commitments are obtained, PE Gate conducts a financial due diligence, through third parties where practicable, as well as hires third party legal council and provides such reports to Potential Investors, along with an Offering Memorandum. Investors, armed with information, make the ultimate decision to invest and allocations of shares are made in an investment vehicle. External legal council draft sale and purchase agreements with target companies, shareholders agreements amongst shareholders, subscription agreements and acts as escrow agent. PE Gate does not collect or hold funds. PE Gate also appoints portfolio managers and reports the performance of each investment to Investors. If Investors wish to sell their investment, PE Gate offers those shares to other shareholders and if not purchased, to other Members.



Services PE Gate offers to clients

PE GATE provides the following services to Members:

- Sourcing potential investment opportunities in privately held businesses
- Negotiating letters of intent with sellers of such opportunities
- Preparing teaser documents and offering such opportunities to Members

PE GATE provides the following services to Potential Investors:

- Conducting internal due diligence and preparing reports
- Hiring external advisors for financial and legal due diligence
- Hiring other industry experts and sourcing potential operational staff
- Final negotiations with sellers of Sale and Purchase agreements, Shareholders' and other agreements
- Hiring of legal council and accountants for reviewing or drafting legal documentations and assistance with negotiations
- Preparing Offering Memorandum, finalizing subscription agreements, shareholders agreements
- Finalizing allocation and closing the transaction



Services PE Gate offers to clients (cont'd)

PE GATE provides the following services to Investors:

- Hiring of external tax accountants and potential auditors
- Appointing Directors to holding vehicle to manage the portfolio
- Provide quarterly and annual reports
- Offering shares of portfolio companies for sale to other Investors and to Members
- Negotiating the sale of portfolio companies and all the work associated with a sale

PE Gate may also provide conventional exempt market dealer services to business owners seeking to divest interest in their business in the exempt market. PE Gate expects to receive commission-based compensation for such mandates as well as retainers to cover operational costs, which will be fully disclosed before such offerings are made on case-by-case basis.



Fees, compensation and reporting

FEES AND COMPENSATION

PE Gate does not charge fees to Members. Fees charged, if any, to Potential Investors and Investors are fully disclosed before investment decisions are made. PE Gate will align its compensation with those of its investors. Instead of charging success fees for investment opportunities, PE Gate expects to receive broker warrants in consideration for its services, which will allow it to acquire a certain portion of the investee company for a prescribed period of time after the closing for the same price offered to third parties. To the extent that we sit on the Boards of Directors of investee companies, we may also receive compensation as a director. Compensation arrangements will be disclosed to potential investors before investments are made.

REPORTING

PE Gate provides quarterly reports to Investors as well as an annual report. At a minimum, a reputable accounting firm is hired to prepare a notice to reader and file taxation reports, however, where practicable, an annual audit will be arranged.



Risks when making investment decisions

Types of risks the client should consider when making an investment decision will be highlighted in each investment opportunity.

Risks typical of investments in private businesses include:

- **Equity investment risk:** Equity investments, particularly those in smaller companies are inherently riskier than larger, publicly companies or investments in other asset classes such as property or GICs. However, equity markets have consistently outperformed GICs over the long-term and offer a high return due to this risk.
- **Small company risk:** Equity investments, especially smaller investments such as the Transaction, have a greater chance of investment losses. Private companies also have less access to future liquidity and are less liquid than publicly traded investments.
- **Transaction costs at risk:** The investors will fund the estimated transaction costs. If for some reason, the transaction does not close, the investors will be liable for the transaction costs and will obtain no benefit from the expenditure.



Risks when making investment decisions (cont'd)

Risks typical of investments in private businesses include:

Limited exit options: The exit opportunities for smaller private companies are minimal.

Weak reporting and project management systems: Typically, smaller private companies do not have audited financial statements and do not have sophisticated management and reporting systems.

Key man dependence: Smaller private companies may rely on their founder to execute all operations/service activities.



Risks of using borrowed funds

Using borrowed money to finance the purchase of shares or securities in private businesses involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines. Securities may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the security in full, the percentage gain or loss will equal the percentage increase or decrease in value of the security. The purchase of a security using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging. It is apparent that leveraging magnifies gains or losses. It is important that an investor proposing a leveraged purchase of securities be aware that a leveraged purchase involves greater risk than a purchase using cash resources only. To what extent a leveraged purchase involves undue risk is a determination to be made on an individual case basis by each purchaser and will vary depending on the circumstances of the purchaser and the security purchased. It is also important that the investor be aware of the terms of a loan secured by securities. The lender may require that the amount outstanding on the loan not fall below an agreed percentage of the market value of the securities. Should this occur, the borrower must pay down the loan or sell some of the securities so as to return the loan to the agreed percentage relationship. Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who leverage their investment are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.



Required conflicts of interest disclosure

We have a fiduciary duty to act honestly and in good faith and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. In order to effectively discharge our duties of loyalty and care to our clients, we have adopted the following policies regarding conflicts of interest.

IDENTIFYING AND RESPONDING TO CONFLICTS OF INTEREST

When carrying out our responsibilities, there will be circumstances where material conflicts of interest may arise between PE Gate, including our employees, and our clients.

All employees are required to identify and report to the Chief Compliance Officer potential conflicts of interest which may arise between PE Gate and any of its Members. Upon identifying a material conflict of interest of which, in the opinion of the Chief Compliance Officer, a reasonable investor would be expected to be informed, PE Gate will disclose, in a timely manner, the nature and extent of the conflict of interest to the Member whose interest conflicts with the interest identified.



Required conflicts of interest disclosure (cont'd)

DISCLOSURE WHEN RECOMMENDING SECURITIES OF RELATED OR CONNECTED ISSUERS

When carrying out our responsibilities, PE Gate trades in securities of one of its related or connected issuers.

“related issuer” means, in respect of PE Gate, an issuer of securities over which PE Gate exercises a controlling interest (for example, through the ownership, discretion or control over voting securities) or an issuer of securities that exercises a controlling influence over PE Gate. In this context, the term “influence” means having the power, directly or indirectly, to exercise a controlling influence over the management and policies of the issuer, whether alone or in combination with one or more persons or entities.

“connected issuer” means, in respect of PE Gate, an issuer that has, or any related issuer that has, any indebtedness to or other relationship with: (i) PE Gate, (ii) any related issuer of PE Gate, (iii) any director, officer or partner of PE Gate, or (iv) any director, officer or partner of a related issuer of PE Gate, that, in connection with a distribution of securities of the issuer, is material to a prospective purchaser of securities of the issuer. Accordingly, an issuer is “connected” to PE Gate if, due to indebtedness or other relationships, a prospective purchaser of securities of such issuer might question PE Gate’s independence from the issuer.



Required conflicts of interest disclosure (cont'd)

Generally, PE Gate and/or its employees expect to invest in PE Gate Opportunities and/or to receive equity compensation or rights to receive equity in connection with our capital raising on behalf of PE Gate Opportunities. Affiliates of PE Gate may act as the general partners of PE Gate Opportunities that are organized as limited partnerships or as the trustees of PE Gate Opportunities that are organized as trusts. Therefore, PE Gate Opportunities are considered related issuers of PE Gate. Details of this relationship and our fees are fully disclosed to Members prior to their investments in PE Gate Opportunities. As an exempt market dealer, PE Gate intends to sell securities of the PE Gate Opportunities and will not be remunerated by the PE Gate Opportunities or otherwise for acting in that capacity.

Other than the PE Gate Opportunities, PE Gate does not have any material related or connected issuers nor does it expect to have any related or connected issuers in the near future. However, in the event that one or more such relationships arise, we will disclose the nature and extent of the relationship or connection between PE Gate and the issuer, prior to making recommendations in respect of securities of PE Gate or its related or connected issuers.



Required conflicts of interest disclosure (cont'd)

Client Focused Reforms (CFRs)

The Canadian Securities Administrators (“CSA”) have introduced new registrant conduct requirements, with the stated objective of better aligning the interests of registrants with the interests of their clients, improving outcomes for clients, and making clearer to clients the nature and terms of their relationship with registrants. The core elements of the amendments are enhanced know your product, know your client, suitability, conflict of interest and relationship disclosure information requirements. Of all of the reforms, the new conflict of interest obligations, which come into force June 30, 2021, are the most significant. Captive dealers, whose business model includes structural conflicts of interest that are unavoidable, will be particularly impacted by these amendments and will be expected to introduce new and effective controls.

The amendments to the conflicts of interest rules introduce a new obligation to address material conflicts. When addressing material conflicts of interest in the best interest of clients, a registered firm and its registered individuals must put the interests of their clients first, ahead of their own interests and any other competing considerations.

Determining what is in the best interest of the client must be addressed on a case-by-case basis and can change over time depending on the facts and circumstances of the individual relationships. This requires analyzing what the registrant has done to address the material conflict of interest in the best interest of their client and considering what a reasonable registrant would have done under the same circumstance.



Required conflicts of interest disclosure (cont'd)

Client Focused Reforms (continued)

Importantly, the CSA has expressly stated that consent without other action on the part of the registrant will no longer be enough to address a material conflict in the best interest of a client. Rather, CSA Staff expect registrants to address material conflicts of interest by either avoiding those conflicts or by implementing controls to mitigate those conflicts sufficiently. The majority of the new requirements involved captive dealers and registered firms who trade in, or recommend, proprietary products in addition to non-proprietary products. PE Gate is not a captive dealer and does not trade in or recommend proprietary products in addition to non-proprietary products. PE Gate brings vetted investment opportunities to its investors and investors make ultimate investment decisions.

PE Gate's involvement in the investment opportunities, its fees and ongoing operational roles are fully disclosed and are generally aligned with the interests of its clients. Nevertheless, should any conflict of interest matters arise, PE Gate will follow the below general elements of enhanced conflicts of interest requirements:



Required conflicts of interest disclosure (cont'd)

Client Focused Reforms (continued)

Identify: Review to ensure robust policies and procedures exist to identify any material conflicts of interest in a timely fashion.

Address : Determine how identified material conflicts of interest between a client and the registrant will be resolved in the best interest of the client.

Avoid: Avoid any material conflicts of interest between a client and the registrant if the conflict cannot otherwise be sufficiently addressed in the best interest of the client, or Avoid any identified material conflict until such time as the registrant has fully implemented sufficient controls to address the conflict in favour of the client.

Disclose: Provide written disclosure of all identified material conflicts to clients whose interests are affected by such conflicts, if a reasonable person would expect to be informed of such conflicts.

Abstain: Do not engage in any trading or advising activities in connection with an identified material conflict of interest unless the conflict has first been addressed in the best interest of the client and the registered individual's sponsoring firm has authorized proceeding.



Required conflicts of interest disclosure (cont'd)

STANDARDS TO ENSURE FAIRNESS IN THE ALLOCATION OF INVESTMENT OPPORTUNITIES

The investment objectives, strategies and restrictions of Members may vary. In order for us to provide a fair allocation of investment opportunities for all Members, PE Gate shall ensure that each Member's account is supervised separately and distinctly from its other Members' accounts. We owe a duty to each Member and, therefore, we have an obligation to treat each Member fairly.

All PE Gate Opportunities will be allocated amongst all Members that desire to invest in a manner we consider fair and equitable, generally based on the investment preference and investible assets indicated by the Members during the KYC process.

Where it is impracticable to ensure complete fairness, despite following these guidelines, every effort shall be made by PE Gate to compensate at the next opportunity in order that every Member, large or small, over time, receives equitable treatment in participating in PE Gate Opportunities and Traditional Opportunities, if desired.



Independent dispute resolution services

If you have a complaint that relates to any investment opportunities or one of our representatives, we would like to hear from you. Such a complaint must be received by us within six (6) years of the day when you first knew, or reasonably ought to have known, of an act or omission that is a cause of or contributed to the complaint. Complaints should be reported in writing to the attention of Compliance Department, by email to ara@pe-gate.com.

We will acknowledge your complaint in writing, investigate the matter and provide you with written notice of our decision to make an offer to resolve the complaint or deny it. As part of this process, we may request you to provide clarification or additional information to assist us with considering your complaint.

You may request an independent dispute resolution or mediation service, with respect to a complaint if either of the following circumstances apply:

- after 90 days of our receipt of the complaint, we have not given you written notice of our decision to make an offer to resolve the complaint or deny it; or
- within 180 days of your receipt of written notice of our decision to make an offer to resolve the complaint or deny it.



Independent dispute resolution services (cont'd)

Provided, however, that the you must agree that any amount the you will claim for the purpose of the independent dispute resolution or mediation service's consideration of the complaint will be no greater than \$350,000.

Ombudsman for Banking Services and Investments ("OBSI") is the independent dispute resolution or mediation service that is being made available to you for an eligible complaint.

Although OBSI's services are being made available to you, this does not restrict your ability to take a complaint to a dispute resolution or mediation service of your choosing at your own expense, or to bring an action in court. Keep in mind that there are time limits for taking legal action.

If you have a complaint: tell us what went wrong; when it happened; and what you expect, for example, money back, an apology, account correction.

We will acknowledge your complaint in writing, as soon as possible, typically within 5 business days of receiving your complaint. We may ask you to provide clarification or more information to help us resolve your complaint.

We normally provide our decision in writing, within 90 days of receiving a complaint. It will include: a summary of the complaint; the results of our investigation; our decision to make an offer to resolve the complaint or deny it; and an explanation of our decision.



KYC info and statement of suitability

During our onboarding process and from time to time thereafter the following know your client (“KYC”) information is gathered in order to assist us with proposing the appropriate investment for you: age; address, country of birth, residency, marital status, annual income; net assets; investment knowledge; experience with private company investments, director roles, operational roles, industry sectors, investment time horizon; investment priorities; insider status, risk tolerance; and any other information that is relevant and necessary. Based on the KYC information provided to us, we assess the suitability of each investment before offering opportunities to you.

Canada’s anti-money laundering laws require us to verify your identity. The methods of identity verification are prescribed in the regulations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada).

INVESTMENT BENCHMARKS

Due to the size and private nature of our investments, we do not rely on any investment benchmarks for investment performance.

Contact us

For questions or clarifications, contact
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