



# **Account Agreements and Disclosure Documents**

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## 1. ABOUT SOLIUM FINANCIAL INC.

Solium Financial Inc. (“**SFI**”) is a wholly-owned subsidiary of Solium Capital Inc. – a leading global provider of web-based stock plan administration software and services. Solium Capital Inc. is a publicly-listed company that is traded on the TSX under the ticker symbol SUM.

Solium Financial is a Canadian investment dealer, and is both a member of the Investment Industry Regulatory Organization of Canada (“**IIROC**”) and the Canadian Investment protection Fund (“**CIPF**”). Its vision is to become a premiere financial service provider with a single-minded mission of revolutionizing the customer’s financial service experience through competitive pricing, best-of-class technology, innovation, and exceptional customer service

Solium Financial is an Introducing Broker (“**IB**”) and Canaccord Genuity Corp. (“**CGC**”) is a Carrying Broker (“**CB**”) who will act as SFI’s agent in all trade execution and settlement, custody of cash and securities, the preparation of confirmations and account statements, and the financing of any account positions. Accordingly, for all transactions that you may enter into, you acknowledge the aforementioned.

Solium Financial, unless otherwise stated, does not guarantee the sale of any security, in whole or part, nor are any of the securities sold insured by Canada Deposit Insurance Corporation (“**CDIC**”) or any other government issuer that may otherwise insure financial institution deposits.

## 2. DEFINITIONS IN THIS AGREEMENT

- a. “**SFI**” means Solium Financial Inc., a wholly-owned subsidiary of Solium Capital Inc.
- b. “**Account**” means all and any one of the accounts of the Client with SFI, including accounts previously opened, opened concurrently or in the future or from time to time closed, and then reopened, renumbered or re-designated.
- b. “**Account Number**” means the number(s) assigned to your Account by SFI.
- c. “**Application**” or “**NAAF**” means the SFI New Account Application Form.
- d. “**Electronic Device**” or “**Access Device**” means any device which allows you to access your Account or any Electronic Access Service, including but not limited to, a personal computer, a telephone used for Interactive Voice Response access, a pager, a facsimile, a Personal Communications Service phone, or similar device that would allow access to your SFI account or any other service through electronic means.
- e. “**Electronic Instruction**” means any instruction regarding your Account or any service that is rendered by SFI to you that is transmitted through an Electronic Device.
- f. “**Electronic Access Services**” or “**Services**” means any services rendered by SFI now and in the future which permits you access to your Account or any other service that is rendered by SFI for you.
- g. “**Information**” means any request which you place using any Electronic Device for account information or a stock, option, index, mutual fund or other security or market quotation including the bid/ask/last price/change, etc., using the Services.
- h. “**Information Providers**” means any entity providing us with securities or market data, including, but not limited to, various securities markets such as stock exchanges and their affiliates.
- i. “**Order Request**” means any Buy, Sell or Short Sell trade request for stocks, options, mutual funds or other security that is created and transmitted via Access Device by you to SFI using the Services.

- j. **“Securities”** or any derivation thereof includes (i) any document, instrument or writing commonly known as security; (ii) any documents constituting evidence of title to or interest in the capital, assets, property, profits, earnings or royalties of any person; (iii) any documents constituting evidence of an option, subscription or other interest in or to securities; (iv) any bond, debenture, note or other evidence of indebtedness, share stock, unit, unit certificate, participation certificate, or certificate of share interest or (v) has the meaning in the Securities Act (Alberta) as amended from time to time and includes, in addition, commodity and futures contracts and derivative products.
- k. **“Password”** means the combination and/or letters you select from time to time, for your use alone, as a means of identifying you and enabling you to access an Account, provide Electronic Instructions or otherwise access Electronic Access Services.
- l. **“Personal Information”** means any information that identifies you, which includes, but is not limited to, your name, date of birth, where applicable, contact information, employment information, social insurance number, where applicable, and financial information.
- m. **“Transfer Institution”** means the financial institution that holds the Account to be credited/debited by means of Electronic Funds Transfer.
- n. **“Transfer Institution Account”** means my Account at the financial institution.
- o. **“You”** and **“your”** means each customer who has signed a New Account Application Form with SFI.

### 3. RELATIONSHIPS

#### 3.1 Appointment as Agent

You acknowledge that CGC will act as SFI’s agent in the execution and settlement of all Securities transactions, whether or not on margin and whether or not as a short sale.

#### 3.2 Duties

Neither SFI nor CGC will accept any responsibility under this Agreement other than to act honestly and in good faith and without willful misconduct or gross negligence. In particular, unless otherwise agreed in writing, SFI and CGC have no obligation to recommend an investment program, monitor the progress of Securities in the Account, communicate trading limits or margin calls or changes in the market, advise you in respect of pending record dates or the pending expiry of rights or warrants, exercise discretion in the purchase or sale of Securities or impart any material information in respect of any of the Securities of which the Agent or any of its employees or representatives is or becomes aware.

#### 3.3 Acceptable Trading Instructions

The only forms of acceptable trading instructions are: (1) those conducted through SFI’s call centre between you and an SFI Investment Representative, or (2) through SFI’s Electronic Access Services (See **Electronic Brokerage Service Agreement**). You waive any and all claims for loss or damage arising directly or indirectly from any such refusal or from any delay or inability to complete a transaction caused by the requirement should instructions be submitted outside of the aforementioned acceptable channels.

#### 3.4 Free Credit Balances

Any monies held by SFI from time to time for you are payable on demand, need not be segregated and may be used by SFI in the ordinary conduct of its business. You acknowledge that the relationship between you and SFI with respect to such monies is one of debtor and creditor only, and that SFI is not a trustee.

#### 3.5 Fees from the Issuer

You acknowledge that SFI may, and authorize SFI to, receive a fee, commission or other payment from the issuer of Securities bought or sold for the Account.

### 3.6 Credit Information

You authorize SFI to obtain factual or credit information about you at any time from your employer, bank or other financial institution, credit bureau or any other person for the purpose of establishing your identity, reputation and credit worthiness.

### 3.7 Privacy Issues and Confidential Information

Protecting your privacy means that SFI will keep your information and the business you do with SFI in strictest confidence. We will not sell your information. You have control over how we obtain, use, and give out information about you, and you have access to the information we have about you. We respect your privacy when we market additional products and services. In addition to your name, address and telephone number, we require information to establish your identification; to protect you and SFI from error and fraud; and to comply with legal and regulatory requirements. Unless we are obliged to do so by law or to protect our interests, we require your consent before we disclose to other persons information about you or use your information in any way we did not previously tell you about.

You understand that SFI may share personal information among its respective affiliates in order to provide you with services. We may disclose your personal information to affiliated entities: (i) to facilitate the processing of transactions requested by you, and (ii) to assist us in offering services to you. Except in those specific, limited situations, we will not make any disclosures of personal information to other companies who may want to sell their products or services to you without your consent.

#### Privacy policy

The following guidelines deal with the rights of individuals to have access to their personal information and to have it corrected, if necessary, as well as the ways in which SFI collects, uses and discloses personal information.

#### Privacy for website users

This website privacy policy describes how SFI handles information we collect from you when you visit our website. If you ever have questions about how your privacy is protected, please e-mail us at [support@soliumfinancial.com](mailto:support@soliumfinancial.com) or, alternatively, contacting our Call Centre at 1-888-680-7634.

- **Visiting our site** – When you visit our website and move around, read pages, or download content onto your computer, SFI learns which pages are visited, what content is chosen for use, and which websites you visited immediately before coming to our site. This information is not associated with you as an individual, but is used in aggregate to monitor our site's performance. We record these statistics to help us understand what type of information is most useful to our audiences and to make it easy for users to find this information.
- **Email subscriptions and interaction** – When you sign up for a SFI electronic communication service, email us, or ask us to respond to you via email, Solium learns your exact email address and any information you have included in your electronic submission. We use your email address to acknowledge your comments and/or reply to your requests and we will store your communication and our reply in case we correspond further. We will not communicate or sell your email address to anyone outside of SFI and our immediate partners. We may use your email address to send you information about our business and services that may be of interest to you. If you do not wish to receive this type of material you may unsubscribe at any time by following the instructions provided in the communication. If you have subscribed to receive information about SFI on a regular basis, you may also unsubscribe for this service using the instructions in the regular email submission.
- **Confidential transmission** – Email sent over the Internet is generally unencrypted. If Solium requests that you transmit confidential information to us over the Internet, we ensure that such transmission is encrypted. If you wish to provide us information electronically by email on our website and would like to ensure its confidentiality, please e-mail us at [support@soliumfinancial.com](mailto:support@soliumfinancial.com) or, alternatively, contacting our Call Centre at 1-888-680-7634.

- **Responding to surveys** – When you respond to a survey question, SFI may use your submission for the purpose of processing survey results, and we may publish those result aggregates on our website. We may use your response to improve our website or our products and services. Based on your response, we may also follow up with you to provide information about our products and services that may be of interest to you.

SFI's privacy policy complies with the federal government's Personal Information Protection and Electronic Documents Act (PIPEDA) and the provincial government's Personal Information Protection Act (PIPA). PIPEDA incorporates the ten privacy protection principles that form the Canadian Standards Act (CSA), which has been titled the Model Code for the Protection of Personal Information. The CSA deals with the rights of individuals to have access to their personal information and to have it corrected, if necessary, as well as the ways in which an organization collects, uses and discloses personal information.

### **Consent to Receiving Communication**

In providing your contact information, you agree that SFI may contact you by email or phone about SFI services, products or promotions. You may withdraw your consent at any time by going to our website at [www.soliumfinancial.com](http://www.soliumfinancial.com) and clicking 'unsubscribe' or by sending an email to: [unsubscribe@soliumfinancial.com](mailto:unsubscribe@soliumfinancial.com).

SFI has an obligation to provide account-related information to SFI clients and as a result SFI clients cannot unsubscribe from communications relating to your account.

### **SFI's ten privacy protection principles**

- **Accountability** – All employees of SFI are required to follow the standards set out in this privacy policy, and are required to sign a confidentiality and non-disclosure agreement as a condition of their employment. Only employees who have been authorized and have a legitimate business purpose can access confidential personal information.
- **Purpose for collection of personal information** –The purpose(s) for which your information is being collected will be identified, explained and documented at the time of collection.
- **Consent** – We will obtain your consent prior to collecting, using and disclosing your personal information. Your informed consent (express or implied) will be required for the collection, use or disclosure of personal information (except where permitted or mandated by law).
- **Limiting collection** – We will only collect personal information that is needed for the specific purposes we will explain to you.
- **Limiting use, disclosure and retention** – We will use and disclose your information only for the purposes we will identify, or when it is mandated or permitted by law. The collection of a government issued identification number is only mandatory in instances where law requires it, such as for tax reporting purposes. All personal information collected is maintained in a highly secure environment and is kept strictly confidential and would only be disclosed to outside parties when authorized by you, when required by law, or when permitted by law. Your personal information is retained only as long as necessary.
- **Accuracy** – SFI makes every effort possible to ensure the information we collect from you is complete, accurate and up-to-date. All personal information collected is available for you to view when you access your SFI account.
- **Safeguards** – SFI has implemented strict procedures to protect the data stored within our infrastructure. Our data is housed at a secure offsite location with tight physical and electronic security access. All access and collection of personal information within our site requires a 128-bit encrypted browser, to ensure the highest commercial level of security for your Internet transactions.

- **Openness** – Our privacy policy is available to view on our site at any time, or you may request information from us about our policies and practices related to the management of your personal information.
- **Client access** – You may verify the accuracy and completeness of your information, and request amendments to this information if required, except where we are required or permitted by federal or provincial law to deny you access for a specific reason.
- **Client complaints and suggestions** – You may direct any inquiries regarding the above privacy principles or our practices by [contacting us](#) or emailing [privacy@solium.com](mailto:privacy@solium.com).

### **Canada’s Anti-Spam Law (CASL)**

Solium has developed policies and procedures to comply with Canada’s Anti-Spam Law (CASL). These policies and procedures include policies on obtaining consent, Commercial Electronic Messages (CEM) content requirements and record keeping requirements.

### **Use of third party suppliers**

SFI may use third-party providers to perform certain services on our behalf such as printing, mail distribution, or data processing. These parties are only given the information necessary to perform the particular service. SFI requires that any third-party service provider protect your information in a manner that is consistent with our privacy policies and security practices.

In the event our service provider is located in a foreign jurisdiction, they are bound by the laws of the jurisdiction in which they are located and may be required to disclose information in response to valid demands or requests from regulators, courts or government and law enforcement authorities.

For regulatory purposes, self-regulatory organizations including Market Regulation Services Inc., the Investment Industry Regulatory Organization of Canada (IIROC), Financial Transactions Reports Analysis of Canada (FINTRAC) and the Canadian Investment Protection Fund (CIPF) (collectively, “SROs”) require access to personal information of current and former clients, employees, agents, directors, officers, partners and others that has been collected or used by regulated persons. SROs collect, use, or disclose such personal information obtained from regulated persons for regulatory purposes, including:

- Surveillance of trading-related activity, sales, financial compliance, trade desk review and other regulatory audits;
- Investigation of potential regulatory and statutory violations;
- Regulatory databases;
- Enforcement or disciplinary proceedings;
- Reporting to securities regulators; and
- Information-sharing with securities regulatory authorities, regulated marketplaces, other self-regulatory organizations and law enforcement agencies in any jurisdiction in connection with any of the foregoing.

## **4. INTERPRETATION AND MISCELLANEOUS**

### **4.1 Headings**

The headings in this Agreement are for convenience of reference only and do not affect its interpretation.

### **4.2 Complaint Resolution Process**

SFI values your trust and are committed to providing the best possible service to its clients. If you have a concern with SFI or the service you have received, we want to work with you to resolve it quickly and effectively. In order for us to efficiently address your concern, we would ask that you please provide us with the following information:

- the date(s);
- time(s); and
- any additional supporting documents to explain your concern, such as the name(s) of the employee(s) involved, the specifics of the concern and how we can help.

Once this information has been collected, please refer to the following steps described below:

- i. Speak to your SFI Investment Representative as many concerns can be easily resolved at the time they occur. If they are unable to resolve the problem to your satisfaction, ask to speak with their Manager. The Manager has the decision-making authority to resolve most problems.
- ii. If the Manager is unable to resolve the problem to your satisfaction, he/she will refer the matter to the office of the Chief Compliance Officer to review the issue on your behalf. At this point, you may be asked to put your concerns in writing so they can be thoroughly investigated. You can send your written complaint by mail to the “Solium Financial Inc., 800-6 Avenue SW, Suite 1500, Calgary, Alberta, T2P 3G3, Att: Chief Compliance Officer.”
- iii. If you have been through the first two steps, and you believe that your concern has still not been resolved to your satisfaction, please note there are external agencies that can assist in the resolution of your concerns.
- iv. The Ombudsman for Banking Services and Investments (OBSI) is an independent dispute resolution service that is available if you do not accept the decision of SFI or if you have waited more than 90 days for a resolution. You may contact the OBSI at 401 Bay Street, Suite 1505, P.O. Box 5, Toronto, Ontario, M5H 2Y4, by telephone at 1.888.451.4519, by facsimile at 1.888.422.2865, or by email at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca). Please note that OBSI will not investigate any matters which have gone to arbitration or civil litigation. Alternatively, you can contact the Investment Industry Regulatory Organization of Canada (IIROC) at [www.iiroc.ca](http://www.iiroc.ca). IIROC offers an arbitration program and will investigate whether any securities laws have been violated; however, this organization does not become involved in matters of redress or compensation.
- v. If you have concerns relating specifically to Registered Plans, please contact the Financial Consumer Agency of Canada (FCAC). If you have a concern regarding a potential violation of a consumer protection law, a public commitment or an industry code of practice, you may contact the FCAC in writing at: Financial Consumer Agency of Canada, 6th Floor, Enterprise Building, 427 Laurier Ave. West, Ottawa, Ontario, K1R 1B9. FCAC determines whether there is a problem with compliance at SFI; however, this organization does not become involved in matters of redress or compensation.
- vi. Residents of Quebec may also consider free mediation services offered by the Autorité des marchés financiers (AMF), Québec’s financial sector regulator. If you do not accept the decision of SFI, you can ask that a copy of your complaint file be transferred to the AMF, who may offer a free mediation service. Participation is voluntary and requires the consent of both yourself and SFI. For more information on AMF mediation services, you may contact the AMF by telephone toll-free at 1-877-525-0337, by email at [renseignementsconsommateur@lautorite.qc.ca](mailto:renseignementsconsommateur@lautorite.qc.ca), or online at [www.lautorite.qc.ca](http://www.lautorite.qc.ca).

### **4.3 Further Assurances**

You will take all such actions and will execute and deliver any further documents as are necessary or desirable, in the view of SFI, to give effect to all transactions in Securities for the Account executed by SFI pursuant to this Agreement.

#### **4.4 Severability**

If any term of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or void, that term will be severed from this Agreement and the remaining terms of this Agreement will continue in full force and effect, modified only to reflect the severance of that term.

#### **4.5 Binding Effect**

This Agreement ensures to the benefit of and is binding on SFI, its successors and assigns; as well as you and the heirs, executors, administrators, successors and permitted assigns of you. For the avoidance of doubt, this shall also mean that the terms of this Agreement fully extend to any and all Accounts opened by you.

#### **4.6 Assignment**

This Agreement may not be assigned by you without the prior written consent of SFI.

#### **4.7 Amendment**

Subject to section 4.4, this Agreement may not be amended and its terms may not be waived or altered except by agreement in writing signed by you and SFI.

#### **4.8 Notices**

Any notice or communication to you pursuant to this Agreement may be given to any address of record of you with SFI. Any notice to SFI pursuant to this Agreement must be given to its head office in Calgary, Alberta. All notices pursuant to this Agreement must be in writing and sent by prepaid mail, fax or delivered by hand. Such notices will be deemed to have been received, if mailed, on the second business day after mailing or if sent by fax, at the time of transmission or if delivered by hand, when delivered. Nothing in this Agreement will require SFI to give any notice to you not otherwise required to be given. You will promptly notify SFI of any change of address.

#### **4.9 Account Closure**

The Account may be terminated by either of the parties to this Agreement by notice in writing to the other at any time. The termination will be effective on the day it is received, but will not affect your liability resulting directly or indirectly from any transactions made for the Account at any time before such notice was actually received by SFI. Further, you understand and agree to provide SFI with seven days notice of any intended cash withdrawal, and that if your account is closed by you and/or perceived closed by SFI within the first year of its operation, SFI may charge a fee to your Account. This fee will be disclosed by SFI from time to time, and you agree to pay the fee and authorize SFI to charge the fee to my Account.

### **5. APPLICATION AGREEMENT**

#### **5.1 Applicable Laws and Services**

All transactions made for your Account will be subject to the constitution, rules, by-laws, regulations and customs of the exchanges or markets and/or any clearing houses where the orders may be executed. SFI shall not be liable for any loss caused, whether directly or indirectly, by government restrictions, by exchange or market rulings, the suspension of trading, wars, strikes or by reason of any other fact which shall not have been caused without limitation, audio tape recording, all or any part of instructions received by you. Further, you agree that any such recordings will be admissible in a court of law. This consent and agreement is continuing and SFI is not required to confirm it prior to or during such recording. You agree that SFI will not be liable in connection with any transaction or prospective transaction, except for gross negligence or willful misconduct on its part. You acknowledge that SFI reserves the right to reject any transactions requested by you or your authorized agent, in our sole discretion, and that you waive any and all claims against SFI for any loss or damage arising from or related to any such refusal.

You acknowledge and agree that your calls with SFI may be taped to enhance the overall quality of your client experience and to record the details of our conversation, including your trading instructions.

Calls between SFI and any broker or dealer to whom an order is directed, may also be recorded to confirm the information exchanged, including trading instructions. If you use our voice identification system to access your account, we will retain your voice print and further information you give us to verify your identity before permitting such access.

Where there is no published market report, interdealer quotation sheet or other evidence of the current value of non-listed securities that is satisfactory to us, we will assign a price of zero to the said securities, indicating that their value is not known.

## **5.2 Account Information**

You warrant that, to the best of your knowledge, the information on the attached NAAF is correct, and acknowledge that the SFI and its representatives may rely on said information. You further acknowledge that you have reached the age of majority and have the power and capacity to enter into this Agreement. In addition, unless you advise SFI to the contrary and provide the necessary documentation, you confirm the following:

- are not employed by a member of any stock exchange or any corporation primarily owned by an exchange;
- are not employed by a non-member broker or investment dealer;
- are not an officer, director or shareholder of a business that is a member of an exchange or of the Investment Industry Regulatory Organization of Canada; and
- are not affiliated with a business in the above categories.

In the event that your current situation is covered above, you acknowledge that you have received written approval from your employer to open an Account, and will provide SFI with a copy of that approval. You also acknowledge that you will immediately notify SFI should your situation change and obtain the necessary approval from your employer.

## **5.3 Joint Account** (not applicable for QSSP accounts or registered plans)

If SFI is directed to open a joint account for the Applicant and Co-Applicant, in return of our opening the account the Applicant(s) and Co-Applicant(s) (herein collectively referred to as the "Client") jointly and severally agree with us as follows:

### **5.3.1 Other Agreements Apply**

All transactions for the account of the Clients shall be subject to the terms and conditions of all other existing agreements (if any) between us and each of the Clients. Each of the agreements is incorporated by reference.

### **5.3.2 Authority of Each Client**

Each of the Clients, acting alone, is authorized and empowered for, and on behalf of all of the Clients:

- to buy and sell (including short sales) and otherwise deal in stocks, bonds and other securities on margin or otherwise through us;
- to receive every communication with respect to each account and transaction;
- to receive and withdraw money, securities or other property without limitation in amount, in the Client's individual name or in the name of any other person at the Client's direction, and to dispose of the same without recourse to us by any one or more of the Clients;
- to execute agreements relating to any of the foregoing matters and to terminate, modify or waive any of the applicable provisions; and
- generally to act and deal with us in respect of an account as fully and with the same authority as though the Client alone were interested in the account, all without notice to any other Clients.

Each Applicant and Co-Applicant specifically acknowledges that SFI may make deliveries of securities or payments to any one of the Clients or any other person upon, or pursuant to, instructions received from any one of the Clients and in such event SFI will be under no duty or obligation to inquire into the purpose or propriety of any such instructions. SFI will not be bound to see to the application or disposition of the securities delivered or payments made.

The Clients jointly and severally agree to indemnify and hold SFI harmless from any loss, liability or expense resulting from our acting in accordance with the above authority. Without in any way limiting the authority granted, SFI is authorized, in its absolute discretion, to require joint action by all of the Clients with respect to any matter concerning an account, including, but not limited to, the giving or cancellation of orders and the withdrawal of monies, securities or other property.

#### **5.3.4 Liability of Clients**

The Clients are jointly and severally liable to SFI for any debts, obligations or liabilities arising in connection with the account. For the purpose of securing the payment of such debts, obligations or liabilities, SFI will have a general lien upon all property belonging to the Clients, collectively or individually, which may at any time be in our possession or under our control for any purpose, including safekeeping. This lien is in addition to, and not in substitution of the rights and remedies we otherwise would have.

#### **5.3.5 Rights and Obligations of Survivors (not applicable to residents of Quebec)**

In the event of the death of any of the Clients:

- the surviving Client or Clients will immediately give SFI written notice thereof;
- SFI is authorized prior to the receipt of the written notice of the decedent's death to execute orders and deal with and for the account as though the death had not occurred;
- SFI is authorized, prior to or after, the receipt of the written notice of the decedent's death, to take such proceedings, require such papers, retain such property or restrict transactions in the account as we may consider advisable to protect us against any tax, liability, penalty or loss under any present or future laws or otherwise; and
- the estate of the decedent and each survivor shall continue to be liable to SFI, jointly and severally, for any debts, obligations, liabilities or losses in respect of the account, including, without limitation, those resulting from the completion of transactions initiated prior to the receipt by us of the written notice of the decedent's death or incurred in the liquidation of the account or the adjustment of the interests of the Clients.

#### **5.3.6 Rights and Obligations of Survivors (for residents of Quebec only)**

In the event of the death of any of the Clients:

- the surviving Client or Clients will immediately give SFI written notice thereof;
- SFI is authorized prior to or after the receipt of the written notice of the decedent's death, to take such proceedings, require such papers, retain such property or restrict transactions in the account as we may consider advisable to protect us against any tax, liability, penalty or loss under any present or future laws or otherwise; and
- the estate of the decedent, which estate will be bound to the terms hereof, and each survivor, the heirs and assigns of each Client will continue to be liable to SFI, jointly and severally, for any debts, obligations, liabilities or losses in respect of the account, including, without limitation, those resulting from the completion of transactions initiated prior to the receipt by us of the written notice of the decedent's death or incurred in the liquidations of the account.

#### **5.4 No Investment Advice and No Suitability Review**

Orders entered by you may be sent directly to the exchange or market without prior review by SFI or its Investment Representatives. However, SFI reserves the right to review any of your trades prior to entry to the exchange or market. You acknowledge your obligation to comply with the requirements regarding entry and trading of orders of the exchanges and markets where your orders are executed. However, SFI reserves the right to reject, change or remove any order entered by you or to cancel any trade resulting from an order entered by you.

Further, you acknowledge the following as it relates to investment advice and suitability review:

- SFI and its Investment Representatives will not give you investment advice or recommendations and will not be responsible for the determination of your general investment needs and objectives regarding the purchase or sale of any security.

- SFI and its Investment Representatives do not accept any responsibility to advise you on the suitability of any of your investment decisions or transactions.
- SFI and its Investment Representatives are not responsible for the financial impact of your investment decisions.
- SFI nor its Investment Representatives will provide you with any legal, tax or accounting advice or advice about the profitability of any investment. In making investment decisions or transactions, and your will consult with and rely upon your own advisors, and not on SFI.

### **5.5 Communications**

Communications with you may include notices, margin calls, demands, account maintenance and service calls, reports and transaction confirmations. You agree that SFI:

- may send Communications to you at any address (including a mailing address, email address, internet address) or fax number that you give us in your application or thereafter in writing; and
- may contact you by phone for Communications not required to be in writing.

All Communications sent to you, regardless of how they are sent, will be considered to be delivered to you personally, whether you actually receive them or not.

Reports and transaction confirmations will be considered final if not objected to on the date of notification by telephone or within 10 days from the trade date as shown on the trade confirmation. Statements of your account will be considered final if not objected to within 30 days of the date of the date appearing on the statement.

If you do not notify SFI of any errors or omissions within 30 days from the date appearing on the statement, you agree that the information and balances shown in the statement are correct and accepted by you. If you fail to give us this notice, SFI will be released from all claims by you in connection with the statement, any transactions shown or not shown on it and any actions taken or not taken by us regarding your account.

### **5.6 Application of All Accounts**

This Agreement applies to all your accounts with SFI and its predecessors, including accounts previously opened, opened in the future or from time to time, closed and then reopened, renumbered or re-designated, and this Agreement supersedes and replaces all previous agreements between you and SFI in connection with such accounts.

## **6. OPERATION OF ACCOUNT**

### **6.1 Agreement to Pay Commissions**

You will pay all commissions and other transaction charges in respect of purchases, exchanges and sales in the Account, including sales made by SFI under section 7.5, at the rates customarily charged by SFI from time to time or as may be specifically agreed by SFI and you.

### **6.2 Credits and Debits**

SFI will credit to the Account any interest, dividends or other monies received in respect of Securities held in the Account and any monies (net of all charges) received as proceeds from transactions in Securities for the Account, and will debit to the Account all amounts owing, including interest and applicable service charges, by you to SFI.

### **6.3 Records**

SFI will maintain a record of all transactions, and receipts and deliveries of funds and Securities for the Account.

### **6.4 Service Fees**

You agree to pay the service fees or service charges of SFI in connection with the administration of the Account.

### **6.5 Effect of Orders**

All orders entered by you and accepted by SFI are good until either executed or cancelled on the day of entry, unless a longer period is specified by you; all orders accepted by SFI are binding on you from the moment of execution; and non-receipt or late receipt of confirmation of a transaction will not relieve you of the obligation to settle the transaction on the settlement date.

### **6.6 Delivery of Securities**

Actual delivery is intended for every transaction in the Account; you represent and warrants to SFI that all sales made in the Account will be "long" sales unless you have specified otherwise at the time of giving the order; and if you fail to make immediate delivery to SFI in deliverable form of any Securities sold at your direction, then SFI is authorized to borrow or buy any Securities necessary to settle the transaction, and you will pay to SFI and indemnify and save it harmless from any loss or expense incurred by SFI in connection with the borrowing, purchase or late delivery.

### **6.7 Custody of Securities**

SFI may hold your Securities at its head office or any of its branch offices or at any other place or with any other custodian which SFI, at its discretion considers appropriate, and in so holding your Securities, SFI assumes no higher degree of care than that exercised by SFI in the custody of its own Securities.

### **6.8 Securities Fungible**

SFI is not obligated to return to you the same Securities as those deposited with or received by SFI for your Account, and SFI may discharge its obligation to you by delivering certificates for Securities of the same issue in the same or equivalent amounts.

### **6.9 Margin**

If you request and are granted a margin facility by SFI, SFI may, at its sole discretion, without notice, at any time or from time to time, reduce or cancel any margin facility or refuse to grant any additional margin facility or require you to provide further margin in addition to that required by applicable regulatory rules or policy. You will provide SFI with any margin which is requested by SFI and will promptly pay any indebtedness due as a result of any reduction or cancellation of any margin facility.

## **7. INDEBTEDNESS AND SECURITY**

### **7.1 Payment of Indebtedness**

You will promptly pay all debit balances in the Account, when due, except to the extent covered by a margin facility, and all other indebtedness arising in connection with transactions for the Account.

### **7.2 Interest**

You will pay to SFI interest, calculated daily and compounded monthly, on outstanding indebtedness in the Account. The interest rate will be that rate designated from time to time by SFI to you as its effective rate for determining interest on debit balances in accounts with SFI, and you waive notice of all changes in such rates.

### **7.3 Payment**

You agree to pay all securities purchased on or before the day of settlement, and you also agree to pay all commissions on securities at your prevailing rates for such transactions. You will:

- be liable for payment upon demand of all commissions and fees;
- be liable for payment upon demand of any debit balance or other obligation owing in any of your Accounts;
- be liable for any payment still owing to SFI and your Accounts are liquidated in whole or in part by you or by SFI;
- be liable for payment of securities bought-in to cover short positions;
- pay SFI for any such obligation and indebtedness on demand.

#### **7.4 Security for Indebtedness**

You hereby pledge to SFI all of the Securities and credit balances held by SFI for the Account from time to time as continuing collateral security for the payment of any indebtedness to SFI arising for any reason, including, without limitation, any liability arising by reason of any guarantee by you of the account of any other person, whether or not any amount owing relates to the collateral pledged.

#### **7.5 Right to Deal with Securities**

At any time while you are indebted to SFI, SFI may, without notice, use the Securities and credit balances in the Account from time to time in the conduct of SFI's business, and, without limiting the generality of this right, SFI may combine or intermingle any Securities or credit balances in the Account with the property of SFI, its clients or both, pledge any of the Securities as security for its own indebtedness, borrow any of the Securities in the Account or credit balances in the Account for its own purposes, or use any of the Securities in the Account for making delivery against a sale, whether a short sale or otherwise, and whether such sale is for the Account or for the account of any other client of SFI.

#### **7.6 Enforcement of Security**

If:

- a. you fail to comply with any term of this Agreement;
  - b. SFI considers it necessary for its protection for any reason whatsoever, including, without limitation, where SFI considers any margin in the Account to be insufficient;
  - c. a garnishing order or other attachment is levied against the Account;
  - d. a petition in bankruptcy is made by or in respect of you or a receiver is appointed to manage your affairs; or
  - e. you die or, if you are a corporation or other unincorporated entity, is wound up or dissolved;
- Then, SFI may, without demand for margin or additional margin and without advertisement or other notice to you:
- a. apply credit balances in the Account or any other account in which you have an interest to reduce the indebtedness in the Account;
  - b. retain possession of or sell any of the Securities in the Account and apply the net proceeds of any sale to reduce the indebtedness in the Account;
  - c. purchase or borrow any Securities necessary to cover short sales or to cover open positions; or
  - d. cancel any unexecuted orders.

#### **7.7 Collection and Other Expenses**

SFI may charge to the Account all expenses (including legal expenses on a solicitor and own client basis) reasonably incurred by SFI:

- a. in connection with disputes over ownership or an interest in securities or credit balances in the Account between joint holders of the Account or between you and a third party;
- b. to collect any indebtedness owing; or
- c. to exercise or enforce any right under this Agreement.

#### **7.8 Liability for Unsatisfied Balance**

You will remain liable to SFI for the balance of any indebtedness or other amount remaining following the exercise by SFI of any of its rights under this Agreement.

#### **7.9 Exercise or Waiver of Rights**

The exercise or the failure to exercise any right under this Agreement or the waiver of any breach or the granting of any indulgence by SFI will not in any way restrict or prevent SFI from exercising any other rights under or insisting on the performance of any other term of this Agreement.

### **7.10 Alternative Courses of Action**

Whenever this Agreement entitles SFI to take alternative courses of action, SFI will be entitled to take any or all of such alternative courses of action or refrain from taking any courses of action at its sole discretion.

### **7.11 Transfer to Other Accounts**

SFI may at any time, without notice to you, enter credit or debit balances, take any monies or Securities in the Account and any proceeds from the sale or other dispositions of such Securities to pay or cover any obligations of yours to SFI, including obligations of you in respect of any other account with SFI, whether such account is a joint account or is an account guaranteed by you.

### **7.12 Currency**

SFI may transfer and convert currency between accounts of the Client as SFI considers necessary or advisable to meet obligations in any currencies which are not covered in the Account.

If the conversion of currency is required because a trade or other transaction is denominated in a currency other than the currency of the Account, then SFI will act as principal with you in converting the currency at a rate selected by SFI from the range of rates available in wholesale currency markets for the applicable processing date (the "conversion rate") plus an adjustment determined by SFI in accordance with the custom of its business. The conversion rate will vary from the rate received by you and SFI may therefore earn revenue in addition to the commission applicable to any trade. The rate in effect on the processing date may differ from the rate in effect on the transaction date.

## **8. SHAREHOLDER COMMUNICATION INFORMATION (National Instrument 54-101)**

Based on your instructions, the securities in your account with us are not registered in your name but in our name or the name of another person or company holding your securities on our behalf. The issuers of the securities in your account may not know the identity of the beneficial owner of these securities.

We are required under securities law to obtain your instructions concerning various matters relating to your holding of securities in your account.

### **8.1 Disclosure of Beneficial Ownership Information**

Securities law permits reporting issuers and other persons and companies to send materials related to the affairs of the reporting issuer directly to beneficial owners of the reporting issuer's securities if the beneficial owner does not object to having information about it disclosed to the reporting issuer or other persons and companies. PART 1 of the *Shareholder Communication Instructions* section allows you to tell us if you **OBJECT** to the disclosure by us to the reporting issuer or other persons or companies of your beneficial ownership information, consisting of your name, address, electronic mail address, securities holdings and preferred language of communication. Securities legislation restricts the use of your beneficial ownership information to matters relating to the affairs of the reporting issuer.

If you **DO NOT OBJECT** to the disclosure of your beneficial ownership information, please mark the first box in Part 1 of the form. In those circumstances, you will not be charged with any costs associated with sending securityholder materials to you.

If you **OBJECT** to the disclosure of your beneficial ownership information by us, please mark the second box in Part 1 of the form. If you do this, all materials to be delivered to you as beneficial owner of securities will be delivered by us. We have the right to charge a fee for this service.

### **8.2 Receiving Security holder Materials**

For securities that you hold through your account, you have the right to receive proxy-related materials sent by reporting issuers to registered holders of their securities in connection with meetings of such security holders. Among other things, this permits you to receive the necessary information to allow

you to have your securities voted in accordance with your instructions at a security holder meeting. Objecting beneficial holders will not receive materials unless they or the relevant issuers bear the cost.

In addition, reporting issuers may choose to send other security holder materials to beneficial owners, although they are not obliged to do so.

Securities law permits you to decline to receive three types of securityholder materials. Securities law does not provide for you to decline to receive other types of securityholder materials. The three types of material that you may decline to receive are:

- (a) proxy-related materials, including annual reports and financial statements, that are sent in connection with a securityholder meeting;
- (b) annual reports and financial statements that are not part of proxy-related materials; and
- (c) materials that a reporting issuer or other person or company sends to securityholders that are not required by corporate or securities law to be sent to registered securityholders.

PART 2 of *Shareholder Communication Instructions* section allows you to receive all materials sent to beneficial owners of securities or to decline to receive the three types of materials referred to above.

If you want to receive **ALL** materials that are sent to beneficial owners of securities, please mark the first box in Part 2 of the form. If you want to **DECLINE** to receive the three types of materials referred to above, please mark the second box in Part 2 of the form. If you want to receive **ONLY** proxy-related material sent in connection with a special meeting, please mark the third box in Part 2 of the form.

***(Note: Even if you decline to receive the three types of materials referred to above, a reporting issuer or other person or company is entitled to deliver these materials to you, provided that the reporting issuer or other person or company pays all costs associated with the sending of these materials. These materials would be delivered to you through your intermediary if you have objected to the disclosure of your beneficial ownership information to reporting issuers.)***

### **8.3 Preferred Language of Communication**

Part 3 of the *Shareholder Communication Instructions* section allows you to tell us your preferred language of communication (English or French). You will receive materials in your preferred language of communication if the materials are available in that language.

### **8.4 Electronic Delivery**

Securities law permits us to deliver some documents by electronic means if we have your consent to do so. Please provide your electronic mail address if you have one and indicate in PART 4 of the *Shareholder Communication Instructions* section that you are providing your consent for electronic delivery of such documents by us or our agents. While your electronic mail address forms part of the ownership information, the reporting issuer may not use electronic mail to deliver materials directly to you,

### **CONTACT**

If you have any questions or want to change your instructions in the future please contact our Call Centre.

## **9. ONLINE BROKERAGE INFORMATION**

**9.1.** In order to use the Services, your application must be accepted by us, in our sole discretion. Your first use of any of the Services will act as your acceptance of an agreement to be bound by the terms and conditions herein (as amended from time to time) and your acceptance of any other term, condition or restriction applicable in respect of the Services.

**9.2.** You may use your Password with your SFI Account Number to access the Services provided. You may also use your Password(s) to enter Order Requests using the Services. You agree to keep Your Password Number(s) confidential.

**9.3.** You agree not to disclose your Password(s) to any person and keep it separate from any other Information which you will receive or which you already possess concerning the Services. You are solely responsible for maintaining the security of your Password(s) and ensuring that it is used for yourself only. You acknowledge that your Password(s) is unique to you and that we do not have access to your Password(s).

SFI is not responsible for unauthorized access to accounts online or losses that occur as a result of you voluntarily disclosing your Password(s), the careless or improper handling, storing or disclosure by you of this Information.

In the event of loss, theft, misuse or compromise of your Password(s), SFI must be notified within a reasonable time.

You will not attempt to enter restricted areas of our computer systems or the computer system of any entity related to or affiliated with us, or performs functions which you are not authorized to perform pursuant to this Agreement.

We may without notice temporarily suspend your access to the Services by deactivating your Password(s) if we reasonably suspect that you are using the Password(s) to obtain unauthorized access to our other systems or Information, or are using the Password(s) or the Services in any other inappropriate manner. These suspensions will be for a period of time necessary to permit the thorough investigation of such suspended activity. We may terminate this Agreement immediately without notice if we determine to our satisfaction that you have undertaken such unauthorized activity or if such unusual activity cannot be reasonably explained.

**9.4.** Information provided through the Services has been independently obtained from various Information Providers through sources believed to be reliable. SFI and the Information Providers do not guarantee the timeliness, sequence, accuracy and completeness of any market data or other Information or messages that they disseminate. Neither SFI nor any Information Provider shall be liable in any way to you or any other person for:

- a. any inaccuracy, error or delay, or omission of (i) any such data, Information or message or (ii) the transmission or delivery of any such data, Information or message, or
- b. any loss or damage arising from or occasioned by any such inaccuracy, error, delay or omission or by reason of non-performance, or of interruption in any such data, Information or message, either due to any negligent act or omission by any disseminating party or due to any "force majeure" (i.e., flood, extraordinary weather conditions, earthquake or other act of God, fire, war, insurrection, riot, labour dispute, accident, action of government, dispute, accident, communications or power failure, equipment or software malfunctions) or any cause beyond the reasonable control of any disseminating party.

**9.5.** You agree that neither SFI nor the Information Providers shall have any liability, contingent or otherwise, for the accuracy, completeness, timeliness or correct sequencing of the Information or for any decision made or action taken by you in reliance upon the Information or Services, or for interruption of any data, Information or aspect of the Services. SFI will not be responsible for any loss, damage or personal injury suffered by any person(s) by reason of any act or omission in the course of or in connection with the operation of any Access Device by you.

**9.6.** The securities and market data provided through the Services is proprietary to the Information Providers. By using the Services, you agree not to reproduce, retransmit, disseminate, sell, distribute, publish, broadcast, circulate or commercially exploit the data in any manner or furnish it to any other person without the express written consent of SFI and the relevant Information Providers. You will use the securities and market data furnished hereunder only for your personal use.

You agree that you will only access your Account(s), the Services or any Information provided by you or any Information Provider through our website and not through a third party website or software. You will not permit any third party to access your Account(s), the Services or any Information provided by you or any Information Provider through our website or through a third party website or software. You will not, and you will not permit any third party, to access or stream any data, including stock quotes or news, that originates from our website through any third party website or software.

**9.7.**

- a. YOU HEREBY AUTHORIZE US TO ACCEPT ALL TRANSACTIONS FOR YOUR ACCOUNT USING THE SERVICES AND YOU AGREE TO BE SOLELY RESPONSIBLE FOR THE ACCURACY OF ANY INSTRUCTIONS GIVEN BY YOU USING AN ACCESS DEVICE.
- b. ALL ORDER REQUESTS ARE SUBJECT TO VERIFICATION AND ACCEPTANCE BY US.
- c. YOU AGREE THAT ALL ORDER REQUESTS WILL ONLY BE PROCESSED IF YOUR ACCOUNT IS IN GOOD ORDER AND YOU HAVE SUFFICIENT FUNDS TO COMPLETE THE TRANSACTION ORDERED.
- d. YOU UNDERSTAND THAT ALL TRANSACTIONS MADE FOR YOUR ACCOUNT WILL BE SUBJECT TO THE RULES GOVERNING THE EXCHANGES OR MARKETS AND CLEARING HOUSES (IF ANY) WHERE THE ORDERS ARE EXECUTED, AND YOU AGREE TO COMPLY WITH THESE REQUIREMENTS.
- e. YOU UNDERSTAND THAT EXECUTION OF ANY ORDER REQUEST IS SUBJECT TO OUR PRIOR APPROVAL AND THAT SFI HAS THE RIGHT TO REJECT, CHANGE OR REMOVE ANY ORDER ENTERED BY YOU OR TO CANCEL ANY TRADE RESULTING FROM AN ORDER ENTERED BY YOU.
- f. IN CERTAIN CIRCUMSTANCES, WE MAY REQUEST ADDITIONAL CONFIRMATION OF ANY ORDER REQUEST BEFORE EXECUTION OF SAME.

**9.8.** All transactions based on Information acquired from using the Services are subject to confirmation by us. IN NO EVENT WILL WE BE LIABLE TO YOU OR TO OTHERS FOR ANY DAMAGES, DIRECT, INDIRECT, CONSEQUENTIAL OR SPECIAL, INCLUDING WITHOUT LIMITATION ALL LOSSES, COSTS, EXPENSES, LOSS OF PROFITS, LOSS OF BUSINESS REVENUE OR FAILURE TO REALIZE EXPECTED SAVINGS ARISING FROM OR OUT OF THE EXISTENCE, FURNISHING OR FUNCTIONING OF THE SERVICE AS PROVIDED FOR IN THIS AGREEMENT. Neither SFI nor any other party shall be held liable for the accuracy or timeliness of any quotation Information provided through the Services.

**9.9.** You agree that ALL INFORMATION THAT YOU PROVIDE TO US (INCLUDING YOUR ADDRESS, TELEPHONE NUMBER AND INTERNET ADDRESS) ("Personal Information") is complete and true and the telephone number and Internet email address at which you may be reached to discuss any Order Request you may submit to us using the Services is valid and current. You also agree to advise us of any change(s) in your Personal Information, including your contact telephone number(s), as soon as the change(s) occur.

**9.10.** SFI may, at our sole discretion, act upon all instructions given or purported to be given by you or on your behalf in respect of an Order Request using the Services and we shall not incur any liability by reason of acting or failing to act due to an error in such Order Request.

**9.11.** You agree and acknowledge that we may modify any or all of the Services at any time. You also agree that the Services may periodically be unavailable to you in order to allow for maintenance and updates.

**9.12.** This Agreement is in addition to, and not in substitution for any other present or future agreement between you and SFI, including any agreement relating to your Account or the Services.

**9.13.** Any action of any kind by you against us arising as a result of this Agreement must be commenced within one year from the date the right, claim, demand or cause shall first occur.

**9.14.** This Agreement confers certain rights upon the Information Providers. The Information Providers may enforce those rights against you by legal proceedings or other appropriate means.

**9.15.** By using the Services, you acknowledge, for each Account, that there are charges for the use of the Services and you agree to accept responsibility for any charges incurred for the use of the Services.

**9.16.** SFI can change the terms and conditions governing the use of the Services at any time. We will advise you of any changes in writing or via the Internet. We may cancel the Services at any time without notice to you.

**9.17.**

- a. **Waiver:** No waiver by us of any breach of any provision or condition of this Agreement shall be deemed a waiver of any other breach of such provision or any similar or other provision or condition of this Agreement.
- b. **Agreement:** The conditions, rules and regulations set forth in any manuals, materials, documents or instructions relating to this Agreement form part of this Agreement.
- c. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.
- d. **Notices:** Notices may be hand delivered or sent by mail, facsimile message or email message. If sent by facsimile or by email, notice shall be deemed to have been received upon transmission. If hand delivered, notice shall be deemed to have been received upon delivery and if sent by mail, notice shall be deemed to have been received five (5) days following the date of mailing.
- e. **Successors and Assigns:** This Agreement shall be binding upon the respective successors and permitted assigns of the parties hereto.
- f. **No Assignment:** You agree that you may not assign the rights and obligations hereunder or in respect of the Services without our prior written consent.
- g. **Severability:** If any provision or condition of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remainder of the Agreement shall not be affected and the Agreement shall be carried out as if such invalid or unenforceable provision were not contained therein.
- h. **Language:** This Agreement has been drafted and executed in the English language at the express request of the parties. Les parties ont exigé que le présent contrat soit rédigé en anglais.
- i. **Termination:** We may, at our sole discretion, terminate your access to the Services without notice to you. You agree that we are not liable to you in any way with respect to the termination of the Services.
- j. **Access Records:** You agree that SFI will maintain records of electronic access to your SFI accounts, including, but not limited to, login and logoff times and dates, and confirmation of trading instructions received.
- k. **Third Party Software:** From time to time, SFI may make third party software available for your convenience only. We assume no responsibility for the operation of the software or the accuracy or completeness of the Information produced. We shall only be liable for the accuracy of the Information contained in your SFI statement of account. The Information produced by any third party software may not be suitable for income tax or other reporting purposes, and its use is entirely at the discretion of the user.

## **10. ELECTRONIC FUNDS TRANSFER (“EFT”) AGREEMENT**

- i. You acknowledge that all your financial transactions will be handled by your Electronic Funds Transfer service. The Transfer Institution Account that SFI is authorized to deposit or draw upon has been specified by you in your NAAF or on the SFI Electronic Funds Transfer Form. In the former, a minimum twenty dollar (\$20.00) cheque was attached to your NAAF while in the latter, a cheque marked “VOID” was attached.
- ii. You acknowledge that this authorization is provided for the benefit of SFI and the Transfer Institution, and is provided in consideration of the Transfer Institution agreeing to process

- credits or debits for or against, respectively. Further, the Electronic Funds Transfer between SFI Account and your Transfer Institution Account will be done in accordance with the Rules of the Canadian Payments Association.
- iii. Your authorization is continuing, and SFI may rely on this authorization for all financial transactions relating to your SFI Account(s) and/or your Transfer Institution Account(s), until you notify SFI of any changes as defined in section (vi) below.
  - iv. You warrant and guarantee that all persons whose signatures are required to sign on your Transfer Institution Account(s) have provided their signature(s) on your NAAF or on the SFI Electronic Funds Transfer Form.
  - v. You authorize SFI to deposit or draw on the Transfer Institution Account for the following purposes:
    - a. Depositing credit balances from your SFI Account(s) upon your authorization.
    - b. Debiting your Transfer Institution Account for the purpose of settling trades, funding your SFI Account(s), or for any other purpose authorized by you as identified on your NAAF.
  - vi. You may change or revoke this authorization at any time upon providing ten (10) days written notice to SFI.
  - vii. You acknowledge that SFI has the right to terminate your authorization, if through no fault its own, you are unable to debit the Transfer Institution Account(s) in the full amount that you have specified.
  - viii. You acknowledge that provisions and delivery of this authorization to SFI constitutes delivery by you to the Transfer Institution.
  - ix. You acknowledge that you are responsible for ensuring that there are sufficient funds available in your SFI Account and/or Transfer Institution Account(s) to offset any transfers. Further, you acknowledge that you are responsible for all service fees that may arise as a result of your Transfer Institution Account(s).
  - x. You acknowledge it is your responsibility to inform SFI, in writing, of any changes to the Transfer Institution Account(s) information provided in this authorization prior to the placing of any subsequent trades.
  - xi. The revocation of this authorization does not terminate any existing contract that may exist for goods or services between you and SFI. Your authorization applies only to the method of payment and does not otherwise have any bearing on the contract for the goods or services exchanged.
  - xii. You acknowledge that you have waived your right to receive pre-notification of the amount of each pre-authorized debit authorized by your NAAF, and you agree that you do not require advance notice of the amount of the pre-authorized debits before the debit is processed.
  - xiii. In the event that your Transfer Institution Account(s) lacks sufficient funds to offset any debit authorized by your NAAF, SFI may assess the NSF fee in effect at that time, as outlined in the "Solium Financial Direct Fees and Commissions Schedule". In the case of insufficient funds, the NSF fee and the failed debit will be withdrawn from your SFI Account.

## DISCLOSURE DOCUMENTS

### PART A - STRIP BOND DISCLOSURE

**We are required by provincial securities regulations to provide you with this Information Statement before you can trade in strip bonds or strip bond packages based on bonds of the Government of Canada, a Canadian province, or certain foreign governments or political subdivisions thereof. Please review it carefully.**

#### **Preliminary Note Regarding the Scope of this Information Statement**

This information statement relates to strip securities that are based on bonds of the Government of Canada, a Canadian province, or certain foreign governments or political subdivisions thereof.

Provincial securities regulations create an exemption from dealer registration and prospectus requirements for these types of securities.

Strip securities may also be based on Canadian corporate bonds. While some of the information in this Information Statement may also be relevant to corporate bond -based strips, corporate bond-based strips are outside the scope of this Information Statement. If you are planning to purchase a strip or strip package based on a corporate Canadian bond, please note that such securities are not governed by the regulations referred to above, but rather, may be subject to certain decisions issued by Canada's securities regulatory authorities exempting certain Canadian corporate bond-based strip securities from various regulatory requirements, including Section 2.1 of National Instrument 44-102 – *Shelf Distributions* and Section 2.1 of National Instrument 44-101 – *Short Form Prospectus Distributions*. See e.g. *RBC Dominion Securities Inc. et al.*, (2013) 36 OSCB 3867 (Apr. 8), online: [www.osc.gov.on.ca/en/SecuritiesLaw\\_ord\\_20130411\\_2110\\_rbc-dominion.htm](http://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20130411_2110_rbc-dominion.htm). Pursuant to each such decision, Canadian securities dealers file with the applicable Canadian securities regulatory authorities a short form base shelf prospectus and certain supplements thereto, pursuant to which certain Canadian corporate-bond based strip securities may be distributed on an on-going basis without a full prospectus (the “CARs<sup>1</sup> and PARs<sup>2</sup> Programme”). For each decision, the applicable shelf prospectus and its supplements may be found on the System for Electronic Document Analysis and Retrieval or “SEDAR” at [www.sedar.com](http://www.sedar.com).

**Risk and other disclosures relating to securities issued as part of the CARs and PARs<sup>1</sup> Programme are set forth in the shelf prospectus and supplements published on SEDAR, and investors considering purchasing such securities are advised to consult these documents, since considerations unique to securities issued as part of the CARs<sup>2</sup> and PARs Programme are not addressed herein.**

#### **Strip Bonds and Strip Bond Packages (“Strips”)**

A strip bond—commonly referred to as a “strip”—is a fixed-income product that is sold at a discount to face value and matures at par. This means the holder is entitled to receive the full face value at maturity. Strips do not pay interest, but rather, the yield at the time of purchase is compounded semi-annually and paid at maturity. Since the return on a strip is fixed at the time of purchase, strips may be a suitable investment where the holder requires a fixed amount of funds at a specific future date.

A strip is created when a conventional debt instrument, such as a government or corporate bond, discount note or asset-backed security (i.e., the “underlying bond”), is separated into its “interest” and “principal” component parts for resale. Components are fungible and may be pooled together where they share the same issuer, payment date and currency and have no other distinguishing features. The two types of components may be referred to as follows:

The “coupon”: the interest-paying portion of the bond; and The residual”: the principal portion.

A strip bond package is a security comprised of two or more strip components. Strip bond packages can be created to provide holders with a regular income stream, similar to an annuity, and with or without a lump sum payment at maturity<sup>3</sup>. By laddering strips with staggered maturities or other payment characteristics, holders can strategically manage their cash flow to meet their future obligations and specific needs.

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<sup>1</sup> PARs are a form of strip bond package where the coupon rate is reduced to current yields, thus allowing the package to be sold at par

<sup>2</sup> CARs are corporate strip bonds comprised of coupon and residual securities

<sup>3</sup> A bond-like strip bond package has payment characteristics resembling a conventional bond, including regular fixed payments and a lump-sum payment at maturity. In contrast, an annuity-like strip bond package provides regular fixed payments but no lump-sum payment at maturity

### **Strips vs. Conventional Bonds**

Strips are offered on a variety of terms and in respect of a variety of underlying bonds, including government bonds issued by the Government of Canada or provincial, municipal and other government agencies, or a foreign government. CARs and PARs are examples of strips derived from high-quality corporate bonds. Some differences between strips and conventional bonds that you may wish to consider include the following:

strips are sold at a discount to face value and mature at par, similar to T-bills. Unlike conventional interest-bearing debt securities, strips do not pay interest throughout the term to maturity; rather, the holder is entitled to receive a fixed amount at maturity. The yield or interest earned is the difference between the discounted purchase price and the maturity value; thus, for a given par value, the purchase price for a strip will typically be lower the longer the term to maturity;

a strip with a longer term to maturity will generally be subject to greater price fluctuations than a strip of the same issuer and yield but with a shorter term to maturity;

strips typically offer higher yields over T-Bills, GICs and term deposits, and over conventional bonds of the same issuer, term and credit rating;

the higher yield offered by strips reflects their greater price volatility. Like conventional bonds, the price of a strip is inversely related to its yield. Thus, when prevailing interest rates rise, strip prices fall, and vice versa. However, the rise or fall of strip prices is typically more extreme than with conventional bonds of the same issuer, term and credit rating. The primary reason for this greater volatility is that no interest is paid in respect of a strip bond prior to its maturity;

unlike conventional bonds that trade in \$1,000 increments, strips may be purchased in \$1 multiples above the minimum investment amount, thereby enabling a holder to purchase a strip for any desired face value amount above the minimum investment amount; and

strips are less liquid than conventional bonds of the same issuer, term and credit rating: there may not be a secondary market for certain strips and strip bond packages, and there is no requirement or obligation for investment dealers or financial institutions to maintain a secondary market for strips sold by or through them; as a result, purchasers should generally be prepared to hold a strip to maturity, since they may be unable to sell it—or only able to sell it at a significant loss—prior to maturity.

### **Dealer Mark-ups and Commissions**

When purchasing or selling a strip bond or a strip bond package, the prospective purchaser or seller should inquire about applicable commissions (mark-ups or mark-downs) when executing the trade through an investment dealer or financial institution, since such commissions will reduce the effective yield (if buying) or the net proceeds (if selling). Investment dealers must make reasonable efforts to ensure the aggregate price, inclusive of any mark-up or mark-down, is fair and reasonable taking into consideration all reasonable factors. Commissions quoted by investment dealers generally range between \$0.25 to \$1.50 per \$100 of maturity amount of the strip, with commissions typically at the higher end of this range for small transaction amounts, reflecting the higher relative costs associated with processing small trades.

The table below illustrates the after-commission yield to a strip holder with different terms to maturity and assuming a before-commission yield of 5.5%. All of the yield numbers are semi-annual. For example, a strip bond with a term to maturity of one year and a commission of 25 cents per \$100 of maturity amount has an after-commission yield of 5.229%. The before-commission cost of this particular strip bond will be \$94.72 per \$100 of maturity amount while the after-commission cost will be \$94.97 per \$100 of maturity amount. In contrast, a strip bond with a term to maturity of 25 years and a commission of \$1.50 per \$100 of maturity amount has an after-commission yield of 5.267%. The before-commission cost of this particular strip bond will be \$25.76 per \$100 of maturity amount while the after-

commission cost will be \$27.26 per \$100 of maturity amount.<sup>4</sup>

Commission or dealer mark-up amount (per \$100 of maturity amount)	Term to maturity in years and yield after commission or dealer mark-up (assuming a yield before commission of 5.5%)					
	1	2	5	10	15	25
\$0.25	5.229%	5.357%	5.433%	5.456%	5.462%	5.460%
\$0.75	4.691%	5.073%	5.299%	5.368%	5.385%	5.382%
\$1.50	3.892%	4.650%	5.100%	5.238%	5.272%	5.267%

**Prospective purchasers or sellers of strips should ask their investment dealer or financial institution about the bid and ask prices for strips and may wish to compare the yield to maturity of the strip, calculated after giving effect to any applicable mark-up or commission, against the similarly calculated yield to maturity of a conventional interest-bearing debt security.**

#### **Secondary Market and Liquidity**

Strips may be purchased or sold through investment dealers and financial institutions on the “over-the-counter” market rather than on an exchange. Where there is an active secondary market, a strip may be sold by a holder prior to maturity at the prevailing market price in order to realize a capital gain or to access funds. However, liquidity may be limited for certain strip bonds and strip bond packages, and, as noted above, investment dealers and financial institutions are not obligated to maintain a secondary market for strips sold by or through them. **As a result, there can be no assurance that a market for particular strip bonds or strip bond packages will be available at any given time, and investors should generally be prepared to hold strips to maturity or run the risk of taking a loss.**

#### **Other Risk Considerations**

Potential purchasers of strips should conduct their own research into the term, yield, payment obligations and particular features of a strip prior to purchase. While not an exhaustive list, you may wish to consider some of the following potential risks:

*Credit risk of the issuer* – strips represent a direct payment obligation of the government or corporate issuer, thus any change to an issuer’s credit rating or perceived credit worthiness may affect the

<sup>4</sup> The purchase price of a strip bond may be calculated as

$$\text{Purchase Price} = \text{Maturity (Par) Value} / (1 + y/2)^{2n}$$

where “y” is the applicable yield (before or after commission) and “n” is the number of years until maturity. For example, the purchase price (per \$100 of maturity value) for a strip bond that has a yield of 5.5% and 25 years until maturity is:  $100/(1+0.0275)^{50} = \$25.76$ .

market price of a strip, and the impact may be more severe than the impact on conventional bonds of the same issuer.

*Interest rate risk* – if interest rates rise, the market value of a strip will go down, and this drop in market value will typically be more severe than the drop in market value for the corresponding conventional bond from the same issuer for the same term and yield. If interest rates rise above the yield of the strip at the time of purchase, the market value of the strip may fall below the original price of the strip.

*Market and liquidity risk* – strips are not immune to market or liquidity risks and may have specific terms and conditions that apply in the event of a market disruption or liquidity event. If liquidity is low, it may be difficult to sell a strip prior to maturity and there may be large spreads between the bid and ask prices. **There can be no assurance that a market for particular strip bonds or strip bond packages will be available at any given time.**

*Currency risk* – strips may pay out in a currency other than Canadian dollars. Currency fluctuations may enhance, nullify or exacerbate your investment gains or losses.

*Component risk* – you should ensure that you understand and are comfortable with the underlying components, terms, risks and features of a strip bond or strip bond package prior to purchase. For example, strips may be derived from asset-backed securities or callable or retractable bonds, and may have features such as inflation indexation or structured payments.

*Price volatility* – strips are generally subject to greater price volatility than conventional bonds of the same issuer, term and credit rating, and will typically be subject to greater price fluctuations in response to changes to interest rates, credit ratings and liquidity and market events. The table below shows the impact that prevailing interest rates can have on the price of a strip. For example, as indicated in the table below, an increase in interest rates from 6% to 7% will cause the price of a 5 year strip bond with a maturity value of \$100 to fall by 4.73%—a larger percentage drop than for a \$100 5 year traditional bond, whose price would fall only 4.16%, assuming the same increase in interest rates.

#### Market Price Volatility

Bond Type	Market Price	Market yield	Price with rate drop to 5%	Price change	Price with rate increase to 7%	Price change
6% 5 Year Bond	\$100.00	6.00%	\$104.38	+ 4.38%	\$95.84	- 4.16%
5 Year Strip Bond	\$74.41	6.00%	\$78.12	+ 4.99%	\$70.89	- 4.73%
6% 20 Year Bond	\$100.00	6.00%	\$112.55	+ 12.55%	\$89.32	- 10.68%
20 Year Strip Bond	\$30.66	6.00%	\$37.24	+ 21.49%	\$25.26	-17.61%

#### **Custodial Arrangements**

Due to the high risk of forgery, money laundering and similar illegal activities—and the costs associated with such risks—with physical strips and bearer instruments, most investment dealers and financial institutions will only trade or accept transfer of book-based strips. CDS Clearing and Depository Services Inc. (“CDS”) provides strip bond services, including book-based custodial services for strips and underlying bonds. Custodian banks or trust companies may also create and take custody of strips that are receipt securities, and may permit holders to obtain a registered certificate or take physical delivery of the underlying coupon(s) or residue(s). However, if the holder decides to take physical delivery, he or she should be aware of the risks, including the risk of lost ownership, associated with

holding a bearer security which cannot be replaced. In addition, the holder should be aware that the secondary market for physical strips may be more limited than for book-based strips due to the risks involved. Investors in strip components held by and at CDS are not entitled to a physical certificate if the strips are Book Entry Only.

### **Canadian Income Tax Summary**

The Canadian income tax consequences of purchasing strip bonds and strip bond packages are complex. Purchasers of strip bonds and strip bond packages should refer questions to the Canada Revenue Agency (<http://www.cra-arc.gc.ca/>) or consult their own tax advisors for advice relating to their particular circumstances.

The following is only a general summary regarding the taxation of strip bonds and strip bond packages under the *Income Tax Act (Canada)* (the “Tax Act”) for purchasers who are residents of Canada and hold their strip bonds and strip bond packages as capital property for purposes of the Tax Act. The following does not constitute legal advice.

### **Qualified Investments**

Strip bonds and strip bond packages that are issued or guaranteed by the Government of Canada or issued by a province or territory of Canada are “qualified investments” under the Tax Act and are therefore eligible for purchase by trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (“Registered Plans”). Depending on the circumstances, strip bonds issued by corporations may also be “qualified investments” for Registered Plans.

### **Annual Taxation of Strip Bonds**

The Canada Revenue Agency takes the position that strip bonds are a “prescribed debt obligation” within the meaning of the Tax Act. Consequently, a purchaser will be required to include in income in each year a notional amount of interest, notwithstanding that no interest will be paid or received in the year. Strips may therefore be more attractive when purchased and held in non-taxable accounts, such as self-directed Registered Plans, pension funds and charities.

In general terms, the amount of notional interest deemed to accrue each year will be determined by using the interest rate which, when applied to the total purchase price (including any dealer mark-up or commission) and compounded at least annually, will result in a cumulative accrual of notional interest from the date of purchase to the date of maturity equal to the amount of the discount from face value at which the strip bond was purchased.

For individuals and certain trusts, the required accrual of notional interest in each year is generally only up to the anniversary date of the issuance of the underlying bond. For example, if a strip bond is purchased on February 1 of a year and the anniversary date of the issuance of the underlying bond is June 30, only five months of notional interest accrual will be required in the year of purchase. However, in each subsequent year, notional interest will be required to be accrued from July 1 of that year to June 30 of the subsequent year (provided that the strip bond is still held on June 30 of the subsequent year).

In some circumstances the anniversary date of the issuance of the underlying bond may not be readily determinable. In these circumstances individual investors may wish to consider accruing notional interest each year to the end of the year instead of to the anniversary date.

A corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary is required for each taxation year to accrue notional interest to the end of the taxation year and not just to an earlier anniversary date in the taxation year.

***Disposition of Strip Bonds Prior To Maturity***

A purchaser who disposes of a strip bond prior to, or at, maturity, is required to include in the purchaser's income for the year of disposition notional interest accrued to the date of disposition that was not previously included in the purchaser's income as interest. If the amount received on a disposition exceeds the total of the purchase price and the amount of all notional interest accrued and included in income, the excess will be treated as a capital gain. If the amount received on disposition is less than the total of the purchase price and the amount of all notional interest accrued and included in income, the difference will be treated as a capital loss.

***Strip Bond Packages***

For tax purposes, a strip bond package is considered a series of separate strip bonds with the income tax consequences as described above applicable to each such component of the strip package. Thus a purchaser of a strip bond package will normally be required to make a calculation in respect of each component of the strip bond package and then aggregate such amounts to determine the notional interest accrued on the strip bond package. As an alternative, in cases where the strip bond package is issued at or near par and is kept intact, the Canada Revenue Agency will accept tax reporting that is consistent with reporting for ordinary bonds (i.e., reported on a T5 tax slip as accrued interest where it is matched by cash flow), including no obligation to report premium or discount amortization where the strip bond package is subsequently traded on the secondary market.

**PART B – LEVERAGE RISK DISCLOSURE**

Using borrowed money to finance the purchase of securities involves greater risk than 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.