

# Your Relationship with National Bank Financial



**NATIONAL BANK  
FINANCIAL**

**WEALTH MANAGEMENT**

This booklet contains important information about your relationship with National Bank Financial. We have made it easy to understand, so please take the time to read it carefully, and keep it for future reference.

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## Some key words and what they mean

In this booklet:

- › *You* and *your* mean the account holder and any joint holder of an account held with us, as well as anyone you authorize to give instructions on the account.
- › *We, us, our, NBF* and *National Bank Financial* mean National Bank Financial Inc.
- › *National Bank Financial Wealth Management* and *National Bank Private Banking 1859* are trademarks used by National Bank Financial Inc.
- › *National Bank* means National Bank of Canada, the parent company of National Bank Financial.

You will also come across a few specialized financial words in this document. We have put these words in italics the first time they appear, and explained them in a box nearby.



## Relationship disclosure

This booklet describes our products and services, and our relationship with you. It also explains our responsibilities as an investment dealer, how we charge for our services, as well as your responsibilities as a client.

Later in this booklet, you will find a section entitled *General Account Agreement*, which provides the general terms and conditions under which your NBF investment account(s) will be operated. Following that section, we have included agreements specific to margin and joint accounts, as well as declarations of trust and additional terms and conditions specific to certain registered accounts.

Take time to read this information carefully, along with any supplemental documentation you have received from us. We recommend that you keep all of this literature for future reference and, if you have any questions, do not hesitate to ask your Wealth Advisor. We look forward to a long and fruitful relationship serving you.

We thank you for choosing National Bank Financial, and wish to make sure you understand how we will work together.

## Products and services offered

Our mission is to help our clients manage their wealth and meet their financial goals. The most important and valuable component of our offering is therefore advice. But financial advice translates into recommendations with regard to the specific actions your Wealth Advisor believes will increase your chances of reaching your goals. We provide the accounts and all the products and services needed to act on our advice and to implement these recommendations.

### Investment accounts

We offer two broad categories of investment accounts: non-registered and registered. In the non-registered group, there are cash account, margin account, short margin account, joint account, options account, hedge account and futures account. In the registered group, there are the Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Registered Education Savings Plan (RESP), Tax-Free Savings Account (TFSA) and First Home Savings Account (FHSA). More information about our range of accounts can be found on pages 28-30 of this document, and in the applicable agreements and declarations of trust. Also, certain types of account have specific terms, which will be provided to you separately.

Regardless of the type(s) of account(s) you choose, all of them offer five distinct benefits:

- › All your investments will appear on a single regular statement, making them easier to manage, except for multi-currency accounts which will be grouped on a separate statement (up to 5 multi-currencies per statement).
- › We will automatically and immediately credit to your account all interest and dividends your investments earn.
- › We will consolidate all of your year-end tax receipts, subject to exceptions. Instead of receiving a separate slip from each issuer, you will receive only one set of slips from us, which makes it easier for you to prepare your income tax return.
- › All of our accounts in Canadian and U.S. dollars pay a competitive rate of interest on cash balances.
- › Last, but certainly not least, where applicable, your accounts are protected by the Canadian Investor Protection Fund (CIPF) subject to certain CIPF conditions and limits.

### Other products and services

Complementing our different kinds of accounts is a comprehensive line-up of products and services. Your Wealth Advisor's licence from the Canadian Investment Regulatory Organization (CIRO) means that he or she can recommend and execute transactions in just about almost any investment product, including common and preferred shares, bonds, debentures, guaranteed investment certificates (GICs), high-interest savings accounts, strip bonds and residuals, mutual funds, exchange-traded funds (ETFs), structured products, trust units and much more. We also offer a suite of innovative managed solutions, such as baskets, private pools and separately managed accounts. Some products and services may not be available in registered accounts. In addition, liquidity restrictions (e.g., holding period) may apply to certain private placements while resale restrictions may apply to certain products such as bonds, structured products, preferred shares, etc. Please discuss this with your Wealth Advisor.

Investment recommendations are supported by top-quality internal company, sector and economic research, as well as research from a number of well-regarded external sources. Moreover, as National Bank Financial's name suggests, we also serve a much broader range of financial needs, including full discretionary asset management, as well as financial and estate planning.



## Your Wealth Advisor: An essential partner

Your Wealth Advisor is a key component of your relationship with NBF, and your principal point of contact with us. He or she is there to advise you, make investment recommendations, and accompany you at every step of the investment process, always available to answer questions or deal with any concerns you may have.

### Guiding you through the investment process

One of the first things your Wealth Advisor will do is determine the nature of the relationship you wish to have with NBF. You can choose between two types of relationship: advisory or discretionary. With an advisory relationship, just as the name suggests, your Wealth Advisor advises, and you decide whether or not to implement their recommendations. With a discretionary relationship you authorize us to make investment decisions that we feel are in your best interests. More information on these two types of relationship can be found on page 8 of this booklet.

You are unique, which is why it is important to have a personalized investment strategy that reflects your investment objectives, time horizon, risk profile, investment knowledge and overall financial situation. Your Wealth Advisor will work with you to define these key inputs, and to create an investment strategy that puts your interest first and which is suitable for your situation. The central element of this strategy will be a specific target mix of asset classes designed to help you achieve your goals, in accordance with your chosen investor profile.

The next step in the process is choosing the specific securities, which will correspond to this asset mix when combined into a portfolio. With an advisory relationship, your Wealth Advisor will help you choose between different types of investments, including individually held stocks, bonds and money market instruments, or pooled vehicles invested in these same securities, such as mutual funds or exchange-traded funds. With a discretionary relationship, we will structure and manage, on your behalf, a portfolio that corresponds to the discretionary mandate you will have given us.

The final step in the process is monitoring your portfolio on an ongoing basis. With an advisory relationship, your Wealth Advisor will, from time to time, make buy and sell recommendations to capitalize on market opportunities, to rebalance your portfolio when the returns from different asset classes have been asymmetrical, or to adapt the portfolio so that it better fits your evolving personal and financial situations. With a discretionary relationship, we will simply execute the appropriate transactions.

Comparing your portfolio's performance to that of an appropriate benchmark is a useful exercise for monitoring purposes. Benchmark comparisons can help you determine if your investment approach is delivering the desired results, or whether changes might be called for. Investment benchmarks are also helpful for developing realistic expectations about returns your portfolio can generate over the long term.

Investment benchmarks usually provide a broad measure of the return generated by specific asset classes over a given period. They are often referred to as reference indexes since the most common form of investment benchmark is an index – such as a stock or bond index. A benchmark must replicate the security or portfolio you are monitoring as closely as possible for the comparison to be meaningful. Examples of benchmarks would include the S&P/TSX for Canadian stocks, the DEX Universe for Canadian bonds and the S&P 500 for U.S. stocks. For a portfolio composed of securities from several different asset classes, the appropriate benchmark would be a blend of indexes weighted according to the portfolio's asset mix.

For more information about comparing your portfolio's return to a benchmark, please do not hesitate to contact your Wealth Advisor.

## Getting acquainted and opening your account

You will find that the process of opening your first investment account with NBF will involve answering many questions. Before making investment recommendations and executing transactions for you, we need to gather a lot of information about you. This information-gathering process serves two basic purposes:

- › **Knowing your client:** Finding out enough about you so that we can make suitable recommendations; and
- › **Satisfying legal requirements:** Gathering the information required to meet a number of legal requirements of the different regulatory authorities.

We assure you that proper care is taken to ensure that your personal information is properly stored to maintain its confidentiality. You will find more information on this subject in the National Bank's *Privacy policy* available on [nbfwm.ca](http://nbfwm.ca).

### Knowing your client

Know-Your-Client is a basic principle and one of the cornerstones of how our industry works. The premise is simple: the better a Wealth Advisor knows his or her clients and understands their wants and needs, the better he or she can advise them. Therefore, when you open an account with us, your Wealth Advisor will gather information about you in order to be able to ensure the account appropriateness, give advice and make recommendations that are suitable for your personal and financial situations. Ensuring that you make suitable investments is one of your Wealth Advisor's most important tasks, and the information relating to the Know-Your-Client principle is essential to accomplishing this.

The information we need in order to be able to know you well enough to make investment recommendations that are suitable for you include:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>› Your age</li> <li>› Your marital status</li> <li>› Your occupation</li> <li>› Your income and net worth</li> <li>› Your financial situation</li> <li>› The number of your dependents</li> </ul> | <ul style="list-style-type: none"> <li>› Your risk profile</li> <li>› Your investment objectives</li> <li>› Your time horizon</li> <li>› Your investment knowledge and experience</li> <li>› The source of the funds you are investing</li> </ul> |
|--|---|

When opening a new account or updating your Client information, your Wealth Advisor will ask you if you wish to appoint a trusted contact person with whom we can communicate in specific circumstances. Your Wealth Advisor may contact this person to confirm information or make inquiries, particularly if your advisor:

- › Has concerns about your capacity to make financial decisions in your best interest, understand information or measure the foreseeable consequences of a financial decision that you are about to make or not make;
- › Suspects possible financial exploitation;
- › Is unable to reach you successfully after several attempts;
- › Needs to obtain the name and contact information of a legal representative, if necessary.

After opening your account, you will be given a copy of the Client File (also known as Know-Your-Client information) containing the information we have gathered about you. We will also give you an amended copy of this document whenever there are material changes made to the information it contains. It is important that you review this document carefully, and let your Wealth Advisor know immediately if there is any inaccuracy, if anything important is missing, or if you have any questions.



Over the course of your relationship with NBF, your Wealth Advisor will check in with you from time to time to see if there has been any change in your personal or financial situations, or with respect to your investment objectives, any of which could require altering the types of investments you have in your accounts or their relative weightings. Should there be a material change to your situation, your Wealth Advisor will review your Know-Your-Client information, as well as the investments held in your accounts to ensure they are still suitable for you, making recommendations for any modification that might be appropriate, where applicable.

If we have reasonable grounds to believe that you are a vulnerable person and are or have been the victim of financial exploitation (or even of attempted financial exploitation) or financial abuse, or that you do not have the mental capacity to make decisions involving financial matters, we may:

- › Not carry out your instruction in connection with certain or all securities, funds or other products in your account;
- › Place a temporary suspension on the securities, funds or other products held in your account, for example during a subscription transaction, purchase, sale, withdrawal or transfer.

If such a temporary suspension occurs, we will advise you of the reasons for this temporary suspension as soon as possible. If the temporary suspension must be maintained beyond a period of 30 days, you will be informed of the reasons justifying it at each subsequent period of 30 days.

Remember that **you have a duty to inform your Wealth Advisor promptly** if there is any change to your personal or financial situations, or to your investment objectives, either of which may materially affect the accuracy of the Know-Your-Client information we have on file for you.

## What is acceptable proof of identity?

### Any of the following documents may be used to confirm your identity:

- › Passport
- › Driver's licence
- › Citizenship certificate
- › Birth certificate (only for applicants under 21)

You must show us the original document – a photocopy is **not** acceptable. This generally means that you have to meet face-to-face with your Wealth Advisor to confirm your identity.

## Satisfying legal requirements

Canadian legislation designed to combat money laundering and terrorism, requires us to gather certain information about you. Also, the Income Tax Act sets out requirements for collecting information relating to the residence for tax purposes of clients as well as their U.S. citizenship.

Here is some of the information we collect in order to comply with industry laws and regulations, and why we collect it.

Personal information	Purposes
Your full legal name and date of birth	Satisfy anti-money laundering and securities regulations.
Your Social Insurance Number	For tax-reporting purposes.
Proof of your identity	Satisfy anti-money laundering regulations. These regulations are designed to prevent the use of the financial system for hiding the proceeds of criminal activity or financing terrorist activity.
Home and postal address(es)	Satisfy anti-money laundering and securities regulations. Your home address is required to ensure that your Wealth Advisor is registered in your province. We must also have a confirmed address where to mail your trade confirmations and portfolio statements, as well as other documentation, where applicable.
Home, cellular, business and fax numbers and email address	Contact you with respect to your account.
Your occupation and your spouse's occupation	Satisfy anti-money laundering and securities regulations. We need to know if you or your spouse controls or is an insider of a publicly traded company, or if you or your spouse is a partner, director, employee or member of any investment dealer.
Your residence address for tax purposes	Satisfy CRS-FATCA requirements ( <i>Income Tax Act</i> )
Third parties connected to your account	Satisfy anti-money laundering and securities regulations. We must maintain information on third parties who have financial interest or trading authority over your accounts. We will also need to know whether the third parties control or are insiders of any company that has issued or intends to issue securities.
Intended use of your account	Satisfy anti-money laundering regulations. You are required to declare the intended use of your account, such as income or long-term capital appreciation.
Your signature	To confirm that you have read and agreed to be bound by this document and the other agreements related to your accounts.

## Your relationship with us: Advisory or discretionary

You can have two types of relationship with NBF:

- › **Advisory:** We give you advice and make recommendations, but leave the ultimate investment decisions in your hands. This is known as an advisory relationship because our role is limited to providing suitable advice and acting on your instructions. The ultimate decision-making rests with you.
- › **Discretionary:** As an alternative, once your investment objectives and investor profile have been established, you can entrust the day-to-day management of your investments to us. We call this a discretionary relationship because you give us discretion to make investment decisions without having to obtain your authorization before executing the transactions.

Of course, it is possible to combine these two approaches, retaining control over part of your portfolio and delegating the management of the rest.

### Advisory account

With an advisory account, your Wealth Advisor will make recommendations and help you make investment decisions, but the ultimate responsibility for deciding to proceed with the purchase or disposition of an investment is yours. Our responsibility is to ensure that the recommendations we make are suitable based on the Know-Your-Client information we have gathered while putting your interest first. In assessing the suitability of your profile, we could use automation (algorithms). We also have an obligation to inform you about the investments you make on your own, as to whether or not they are suitable to your investor profile.

### Suitability and advisory account

Your Wealth Advisor will assess the suitability of the investments in your account whenever:

- › A transaction (e.g. purchase, sell, withdraw) is accepted.
- › A recommendation is made.
- › Securities are transferred (in or out), exchanged or deposited for your account.
- › There is a change of Wealth Advisor or portfolio manager responsible for your account.
- › There is a material change to your Know-Your-Client information including updating the information collected about you.

If you have multiple accounts with NBF, we will take into consideration whether recommendations and decisions made for one account would materially affect the concentration and liquidity of the securities you hold across your accounts.

Since most of our clients invest for the long term, the suitability of investments held in an advisory account will not necessarily be reviewed in the event of market fluctuations – even when those fluctuations are significant. You should make sure to let your Wealth Advisor know if you have any questions or concerns about events or circumstances you believe could affect the suitability of the investments in your account.

### Discretionary account

With this type of account, you are not asked to validate and approve each transaction before it is made in your account. If you opt for a discretionary account, your Wealth Advisor will first work with you to determine your investment objectives, time horizon, risk profile, investment knowledge and financial situation. Next, he or she will help you choose the discretionary account(s) that best suit your needs. Once this is done, the day-to-day management of your investments will be assumed by your Wealth Advisor, NBF or the external portfolio manager(s) you have selected. Of course, you will be kept fully informed of any transaction made in your discretionary account on a regular basis.

### Suitability and discretionary account

Ongoing suitability verification is provided as part of the discretionary account service. In addition, the suitability assessment will be conducted upon the selection of your profile. To that effect, we could use automation (algorithms). Each transaction is analyzed before being executed in order to ensure that it is appropriate in light of the prevailing market conditions and the investment mandate you have chosen and that it is done in your best interest. If you have multiple accounts with NBF, we will take into consideration whether recommendations and decisions made for one account would materially affect the concentration and liquidity of the securities you hold across your accounts. For more information, please refer to the documentation specifically related to your discretionary account, which you received upon opening this specific account.

## How we communicate with you

Our relationship with you is built on regular communications. Your primary contact is your Wealth Advisor and their team, but you will also receive communications from us electronically and by mail.

We may communicate with you by any available means, including letter, email, fax and telephone. To communicate with you for any type of information (e.g., notices, statements, confirmations, margin calls and demands), we will use the latest contact information we have for you in our records. It is your responsibility to notify us promptly of any change in your contact information.

Here are the delivery standards we apply:

- › If we send you something by email, fax or other electronic means of communication, we will assume that you have received it on the same business day.
- › If we send you something by courier or other personal delivery service, we will also assume that you have received it on the same business day.
- › If we send you something by mail or registered mail, we will assume that you have received it on the third business day following the day the communication was put in the mail.

If you would like to receive account and regulatory information via our secured website, please discuss this with your Wealth Advisor. Electronic communications can reduce mail costs, save paper, and get the information into your hands more rapidly.

### Other important documents you will receive when you open your account

In addition to this booklet, below is the list of the important documents you will receive when you open your account. Keep them together in a safe place for future reference.

- › Canadian Investor Protection Fund brochure
- › How CIRO protects investors
- › Making a Complaint (Part 1 of 2) and How Can I Get My Money Back (Part 2 of 2), published by CIRO
- › *Strip bonds and strip bond packages information statement*
- › A copy of your Client File, which contains your Know-Your-Client information
- › In certain cases, supplementary documentation and agreements relating to the specific account(s) you have chosen to open

### Important documents you will receive on a regular basis

Trade confirmations and portfolio statements will be sent to you so that you can track the investments you have with us and monitor your account activity. In addition, you will receive an annual report on the performance of your investments plus an annual report summarizing fees and compensation.

For more information about those documents, please refer to sections 5, 6 and 7 of the *General Account Agreement* that starts on page 31 of this document.

## Contacting us

If you find any problem with either your trade confirmations or portfolio statements, or should you need to send us any information, including a change in your address, telephone number or email, please call your Wealth Advisor or send a notice by mail or courier to one of the following addresses:

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› National Bank Financial  
Account Opening and Documentation Management  
800 Saint-Jacques Street, Suite 54001  
Montreal, QC H3C 1A3

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› National Bank Financial  
Account Opening and Documentation Management  
250 Yonge Street, 19<sup>th</sup> Floor  
Toronto, ON M5B 2L7

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Please note that any order or instruction should be given to your Wealth Advisor – not to the addresses provided above.

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## Fees and charges you can expect to pay

We believe that people who know how they are being charged for services and how much they are paying tend to feel they are getting better value for their money. The fees we charge will vary depending on the type of account you choose, the services you want, and the level of activity you require to accomplish your investment goals.

### Two basic pricing options

NBF's "core product" is dispensing investment advice, and executing the securities transactions to implement the recommendations we make. As a client, you can pay for this in one of two ways:

- › **By the transaction** (each time an investment is bought or sold, a commission or spread is charged to cover the cost of the transaction, as well as the advice and service); or
- › **By fee for service** (a fee levied as a percentage of the assets you hold with us is charged to cover the advice, service and execution of the transaction).

Each of these pricing options has its advantages and disadvantages – one is certainly not better than the other and regardless of the option you choose, you will get the same level of service. You should discuss each option with your Wealth Advisor in order to choose the one that is best for you. Regardless of the pricing option you choose, the fees you pay affect the performance of your investments. This is why your portfolio's return is calculated net of fees. The returns shown on the annual investment performance report that is sent to you annually are calculated net of fees.

Note that our "default" way of pricing is by the transaction. If you wish to pay for our services with an asset-based fee, specific documentation must be signed. Costs and fees applicable to this service are described in supplementary, related documentation.

### 1. By-the-transaction pricing

The most important thing to understand about this pricing option is that while it is associated with a transaction, the commission or spread charged covers the advice and ongoing service you receive from NBF and your Wealth Advisor, as well as the actual execution of your transaction.

Generally speaking, commissions are charged on transactions of listed securities, such as common and preferred shares, options and exchange-traded funds (ETFs), where we typically act as an agent, whereas spreads apply to fixed-income trades (e.g., bonds, stripped coupons, treasury bills and GICs), where we usually act as principal. As explained in greater detail below, commissions may also apply to certain mutual fund transactions.

#### › **Commissions (common and preferred shares, ETFs and other listed securities)**

Commissions will be charged when a stock or other listed security is purchased and/or disposed of. The commission will be added to the cost of the security on a purchase, and deducted from the proceeds for a disposition. These amounts will be clearly identified on the trade confirmations you receive and will be charged in the currency of the account.

#### › **Spreads (fixed-income securities other than preferred shares)**

A spread is a charge built into fixed-income securities reflecting the difference between the actual cost of a product to the distributor and the price at which it is offered to you. Virtually all financial institutions charge spreads on their fixed-income products.

Investment dealers build spreads into their fixed-income transaction rates by purchasing securities, such as bonds, debentures or treasury bills, in extremely large quantities directly from the issuers at a certain interest income level or "yield." They then resell them to individual investors in much smaller quantities at a slightly lower yield. The difference between these two rates is the spread. It covers the cost of doing business and the financial risk of holding large quantities of securities in inventory.



Note that when your Wealth Advisor quotes you a yield-to-maturity on a fixed-income investment, the spread has already been taken into account. In other words, the yield you are quoted is exactly the rate of return you will earn on the bond, stripped coupon or Treasury bill, provided you hold it to maturity. Generally speaking, the spread will vary directly with the maturity of the security – i.e., the shorter the term, the smaller the spread, and vice versa.

Finally, one other situation where we may earn revenue in the form of a spread is when a transaction involves converting currencies. For instance, if you purchased a stock listed in Euro on the Frankfurt stock exchange in your Canadian dollar-denominated account, we would convert your Canadian cash to Euros using our exchange rate for the day in order to settle the transaction. NBF could earn a spread on that currency conversion due to the difference between our wholesale and retail foreign exchange rates.

#### › **Mutual funds and ETFs**

We are including a section devoted to mutual funds since they are a little more complex than a simple stock or bond, from a “what you pay” perspective. There are two components to what you pay when investing in mutual funds: management fees and commissions. Management fees are charged by all mutual funds. Depending on the fund you purchase, you may also pay a transaction fee in the form of a commission.

##### – **Management fees and operating expenses**

All mutual funds charge management fees and/or operating expenses, which are deducted directly from the fund’s assets and go toward both paying the fund’s expenses (portfolio management, record keeping, custody, reporting, etc.) and generating a profit margin for the fund company. Management fees and operating expenses are generally charged as a percentage of the fund’s assets under administration, and this percentage is disclosed in the fund’s fund facts document, as well as in its prospectus. Management fees and operating expenses vary depending on the category of underlying assets, with fees for equity funds typically being higher than fees for bond or money market funds. For certain funds, a portion of the management fee is remitted to the distributor (in this case, NBF and its Wealth Advisor) on an ongoing basis for as long as the investor owns the fund. The portion of the management fee remitted to the distributor is called a trailing commission or “trailer fee.”

##### – **Trailing commissions**

When a trailing commission is paid to the distributor by the fund out of its management fee, the percentage used to calculate this amount is disclosed in the fund’s fund facts document, as well as in its prospectus. The logic behind trailing commissions is that they compensate the distributing firm and its Wealth Advisor for the costs incurred (maintaining the position on its books, issuing statements, etc.) and for the ongoing advice and service provided.

##### – **Commissions**

Commissions are charged on many mutual funds but contrary to other investments, they only apply when you buy or sell the fund – not both.

Commissions charged upon purchase (sometimes referred to as “front load”) are calculated as a percentage of your gross purchase, and are simply subtracted from the actual amount invested. For instance, a 2% commission charged on a \$5,000 fund purchase will result in \$100 being taken off the top by NBF and \$4,900 being invested.

Many funds were available for purchase with a “deferred sales charge” option (sometimes referred to as “back load”). With this option, there was no commission to pay up front, and your full amount was invested in the fund. The fund company will apply a charge when you redeem your investment, in accordance with a declining schedule – i.e., the longer you own the fund, the less you pay when you redeem it. In most cases, the deferred sales charge actually falls to zero over a period not usually exceeding seven years. This deferred sales charge is applied on the gross amount redeemed, and subtracted from the fruit of the sale. For instance, if you redeemed \$5,000 of mutual funds and the deferred sales charge had declined to 1% because you had held the fund for several years, \$50 would be taken off the proceeds and the net amount you would receive from the sale would be \$4,950.

Finally, there are also many funds offered for sale without transaction commissions (often referred to as “no-load” funds).

If you wish to include mutual funds in your portfolio, it would make good sense to take some time exploring the various commission options with your Wealth Advisor to figure out which one is best for you. Also, if you have any questions about other fees included in mutual funds (including ETFs), please consult your Wealth Advisor.

## 2. Fee-for-service pricing

Compared to commissions and spreads, the fee-for-service pricing option is fairly simple to understand. A fee is calculated as a percentage of the value of your investments. This amount, which is charged either monthly or quarterly, covers the cost of ongoing advice and service, as well as the execution of all the transactions required to manage your portfolio. In other words, it replaces commissions and spreads. Many clients prefer this pricing option because they never have to factor the cost of a transaction into their investment decisions.

Fee-based accounts come in two basic varieties: advisory and discretionary. Your choice between these two types of fee-based accounts should be made as a function of the nature of the relationship you wish to have with NBF and your Wealth Advisor.

### › **Advisory fee-based account**

An advisory fee-based account is an account for which you retain full control over your investments; your Wealth Advisor makes recommendations, which you are free to implement. The fees to be paid are disclosed in the fee-based account agreement you sign at the time of opening your account, and you will see the amounts that are charged periodically on your portfolio statement. When fees are charged to a non-registered account, they are generally deemed to be tax deductible, although we recommend that you consult with your accountant or tax expert to determine if this applies to your personal situation.

### › **Discretionary fee-based account**

With a discretionary account, you delegate the day-to-day monitoring of your portfolio, as well as the decisions made with respect to the purchase and sale of securities, to your Wealth Advisor or to a portfolio manager. The fees to be paid are shown in the discretionary account agreement you sign when you open your account. NBF has a number of innovative discretionary accounts and if this approach is of interest to you, you should discuss these options with your Wealth Advisor before making a decision. Once again, when fees are charged to a non-registered account, they are generally deemed to be tax deductible. Please consult with your accountant or tax expert to determine if this applies to your personal situation.

## Other fees you may be charged

### Fees related to transactions executed on foreign exchanges

If you buy or sell securities listed on foreign markets, you should know that certain stock exchanges, securities commissions, prime brokers or foreign governments may, from time to time, impose taxes or apply trading, execution or settlement fees on financial transactions made in their country. These fees are kept by the exchange, securities commission, prime brokers or government, and are not shared with NBF.

When such fees are levied, they are over and above the usual commissions and administration fees that NBF applies to your accounts and your transactions, regardless of the pricing option you have chosen. Where applicable, these supplemental charges will appear on your trade confirmations and will be charged in the currency of the country in which the transaction was executed.

### Interest charges and borrowing fees

If you borrow against the value of securities held in one of your accounts, you will be charged interest on the outstanding loan. Similarly, if you short sell securities, you may be charged interest and fees on the cost of borrowing securities to cover your short position.

Also note that some foreign central banks charge negative interest rates on deposits. This could have an impact on the credit balances you hold in foreign currencies in your accounts.

### Administration fees

So far, we have covered the fees and charges for providing advice and executing your transactions. But like all financial institutions, we also charge fees for specific services that complement our core business. These fees, which we call administration fees, are presented in the leaflet found in the Appendices section of this document. Included in these fees is an annual administration fee, which covers all of the costs associated with opening and maintaining an investment account. This annual administration fee only applies to clients who have opted for the by-the-transaction pricing option. And since this fee is waived whenever the activity in a client's account generates enough revenue to cover the costs of maintaining it, it is rarely actually charged.

Note that administration fees and other charges may change from time to time. We will let you know in advance of any change, as prescribed by the regulations that govern our industry.

## Revenues and other benefits we may receive from third parties

There are a number of situations where third parties may pay us a consideration over and above the commission, spread or asset management fees we charge you. For example, we may match your order with an order from another party that pays us a commission. Another example is when we act as the "principal" in the transaction – in other words, when you buy or sell directly from/to us or one of our affiliates, rather than from/to a third party. Sometimes, being the principal gives us the opportunity to earn extra revenues.

When we act as an underwriter (buying securities from the issuer and reselling them to our clients), we may receive commissions directly from the issuer of the securities. These commissions will be described in the prospectus or other documents related to the securities. Finally, certain issuers may pay us registration fees for educational events and reimburse us for cost incurred for sales communications, conferences or seminars.

The above are examples only. There may be other situations in which we will receive benefits, fees or commissions from third parties on transactions we execute on your behalf. If and when such situations create a material conflict of interest, this will be disclosed to you. More information on conflicts of interest is available in the section Conflict of interest and related parties that starts on page 18 of this document.

## Making a complaint

As a full-service investment dealer, National Bank Financial offers access to a broad range of investment products and services. It is therefore important to us to ensure that you feel comfortable contacting us whenever you have a question or comment concerning our products or services.

Of course we welcome feedback about all of your experiences concerning your investment relationship with us, but should you have an unfavourable experience, we value the opportunity to improve the products and services that we offer to you. Your business and ongoing relationship with our firm are very important to us and the satisfaction of our clientele is very high on our list of priorities.

Please feel free to contact us via email, telephone, fax, regular mail or in person at your branch with your questions or comments. A complaint could relate to dissatisfaction with the services provided by your Wealth Advisor, the firm or the services and products offered to you. We invite you to speak to your Wealth Advisor, Manager, Regional Manager or to direct your complaint to our Legal Affairs Department at the following address:

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- › National Bank Financial  
Legal Affairs Department  
Client Relationship and Complaints Advisory Services  
1155 Metcalfe, 4<sup>th</sup> Floor  
Montreal, QC H3B 4S9

**Telephone:** 514-879-2222 (Montreal area)  
1-800-361-8868 (Elsewhere in Canada)

**Fax:** 514-861-2877

**Email:** NBFComplaintWealthManagement@nbc.ca

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In order to allow us to analyze your complaint, please include the following details when you contact us:

- › Your name, contact information, and account number as well as the particular circumstances and details of your complaint, notably, the date on which the event took place.
- › All relevant documentation, including details of meetings and/or discussions following those meetings that might clarify the situation.

We will acknowledge the receipt of your complaint in writing within 5 business days, giving you the name and the contact information of the person analyzing the complaint. Should you have any questions concerning the advancement of the file, we invite you to contact this person directly. Rest assured that we will do our utmost to settle your complaint fairly and quickly.

We will contact you in writing at the latest 90 days after our investigation begins detailing the results and conclusions of our inquiry as well as the options available to you if the problem has not been resolved to your satisfaction.

Finally, you will also find information about how to make a complaint in the Canadian Investment Regulatory Organization's Making a Complaint: A Guide for Investors, which is included at the end of this booklet.

## Management of your personal information

### Gathering, managing and disclosing your personal information

NBF, its divisions and the other companies and divisions of the National Bank group (individually or collectively in this section, the "Bank") collect, use and disclose your personal information to, among other things:

- › verify your identity and solvency;
- › establish and administer your account. For these purposes, certain personal information will be communicated to the tax authorities if your account is registered and may have to be communicated to other authorities, persons or entities, such as issuers or intermediaries (Canadian or foreign nationals), or to an estate representative or beneficiary in the event of death;
- › understand your financial needs, determine the products and services that suit you and improve your interactions with the Bank, unless you refuse;
- › prevent fraud, manage risk and comply with laws;
- › enable the Bank to improve and develop its products and services and get to know its clients better;
- › allow the Bank to present offers and other promotional communications or those of its business partners, unless you refuse;
- › any other purpose provided for in the Bank's Personal Information Protection Policy available on [nbfwm.ca](https://www.nbfwm.ca).

Your information will be kept for a reasonable period following the end of the business relationship in order to allow the Bank to comply with its legal obligations.

The policy describes in particular:

- › what information the Bank collects, with whom it shares it, and how this information is used and stored;
- › what your rights and options are;
- › how to manage your consents.

If you have any questions, you can contact your Wealth Advisor or the Bank's Chief Personal Information and Privacy Officer at [confidentiality@nbc.ca](mailto:confidentiality@nbc.ca).

## Conflict of interest and related parties

Securities regulations in Canada require all investment dealers to comply with rules about conflicts of interest. It is important for you to know how we identify and respond to conflicts of interest, as well as how we minimize their impact.

### What is a conflict of interest?

We consider a potential conflict of interest to be any circumstance in which our interests, or the interests of our Wealth Advisors or employees, could be inconsistent with or divergent from the interests of our clients or others who use our services.

We take reasonable steps to identify all existing material conflicts of interest, as well as those that are reasonably foreseeable. We then assess the level of risk associated with each conflict.

We avoid any situation that would create a serious conflict of interest or represent too high a risk for you or for the integrity of financial markets. In any other situation, we take appropriate measures to address the conflict in your best interest. Where it cannot be avoided, we will notify you of any existing or reasonably foreseeable material conflict of interest situation as they arise.

### Conflict of interest situations

We could potentially be in a conflict of interest in our dealings with:

- › Issuers of securities
- › Related dealers and advisors
- › Other related companies
- › Our employees
- › Our clients

The following sections describe each of these potential conflicts, the effects they might have on you and how we deal with them.

### Issuers of securities

Sometimes we deal in the shares of companies or people that are related or connected to us. Here is how we define those terms.

A company or person is a "related issuer" if:

- › the person or company is an influential holder of NBF;
- › we are an influential holder of the person or company; or
- › both we and the person or company are related issuers of the same third-party securities.

A company or person is a "connected issuer" if the issuer has a relationship with us that may lead a reasonable prospective purchaser to question whether we are independent from the issuer and believe that we will benefit from it. This includes the issuer's relationship with us, with one of our related issuers, with our administrators, officers or partners or those of our related issuer.

See our website [nbfwm.ca](http://nbfwm.ca) ("Regulatory Information" section) for the list of our related or connected issuers.



When we deal with securities issued by our related or connected issuers, we may:

- › Act as an *underwriter* or selling group member in the distribution of the securities.
- › Sell the securities to, or on behalf of, our clients.
- › Purchase the securities from, or on behalf of, our clients.
- › Exercise *discretionary authority* to buy or sell the securities, with the written consent of the client.
- › Act as an advisor regarding the securities.
- › Make recommendations to buy or sell the securities.
- › Offer for sale securities, goods and services issued or provided by National Bank of Canada or another related issuer.
- › Work with National Bank of Canada or another related issuer to jointly offer the sale or purchase of securities, goods or services.

It is our policy to comply fully with all securities legislation. We make all required disclosures when acting as advisor, dealer or underwriter of the securities of National Bank of Canada and our other related or connected issuers.

Before advising you on the securities of a related issuer or taking part in the distribution of securities of a related issuer, we will inform you, verbally or in writing, about the relationship between the advisor and the issuer of the securities.

Before we exercise discretionary authority over securities of a related or connected issuer, we give you the issuer's current Statement of Policies. If necessary, we also obtain your specific and informed written consent to exercise the discretionary authority.

When we buy or sell securities with a subsidiary or affiliate, we ensure that the transaction price, along with any brokerage commission, is as good as or better than the price offered by an unaffiliated third-party broker in an arms-length transaction.

In addition, when we deal in securities of related or connected issuers, we take your investment objectives and your best interests into account.

As part of our business as an investment dealer, we may act as "agent" or "principal" while buying or selling on your behalf. In such instances, we will provide services in accordance with our normal practices and procedures, and follow all relevant legislations or regulations.

### What is an underwriter?

An *underwriter* is a company that administers the distribution of securities on behalf of the company that issued those securities. The underwriter helps set the price, buys the securities from the issuing company and sells them to investors.

### What is discretionary authority?

If you give us *discretionary authority*, it means we can buy or sell securities on your behalf, without getting your directions for each transaction. We make decisions for you that are in line with your investment objectives, risk profile and time horizon.

## Related dealers and advisors

Because of our affiliation with National Bank of Canada and its subsidiaries, we have put policies in place to deal with any potential conflict of interest, and to ensure we act in your best interests.

We are registered as an investment dealer and an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is also an important shareholder of many dealers and advisors, meaning it directly or indirectly holds more than 10% of any class or series of voting securities.

We are therefore related to these dealers and advisors. Although there may be overlaps among the directors and officers of these companies, all of them operate as separate legal entities.

See our website [nbfwm.ca](http://nbfwm.ca) ("Regulatory Information" section) for the list of our related dealers and advisors.

Both we and the related dealers or advisors named on our website may provide services to each other, including management and administrative services, as well as client referrals.

These relationships are subject to certain legislation and industry regulations. We have also adopted internal policies and procedures to supplement these requirements, including our policies on confidentiality of information.

## Other related companies

National Bank of Canada, NBF and their affiliated companies may hold an interest or participation in certain companies. See our website [nbfwm.ca](http://nbfwm.ca) ("Regulatory Information" section) for the list of our related companies.

## Order routing and receipt of payment for order flow

NBF receives fees or payments from third parties on some of the transactions it executes. Such fees and payments will not accrue to the clients' account and may be considered as part of NBF's routing decision-making process, though this is not the principal determinant.

## Fully Paid Securities Lending Program

Within the Fully Paid Securities Lending Program, you lend your securities to NBF, who acts as the sole borrower. NBF uses the loaned securities for its own operations and activities, including short-selling and re-lending the securities, which will generate revenue for NBF. Regardless of our ultimate use of the lent securities, we will ensure that clients receive fair lending fee rates within the context of the market.

## Our employees

In the normal course of their activities, our administrators, officers, employees, representatives and agents may find their personal interests are in potential conflict with those of a client.

We have developed a Code of Conduct and Ethics, a Compliance Manual and internal policies. Among other things, these documents state that our employees must never put their own interests ahead of their responsibilities toward clients or NBF and that they should not under any circumstances exert undue pressure on clients to acquire a product or service. They also reinforce the fact that any existing or reasonably foreseeable material conflict of interest must be addressed in a manner that is fair, equitable, transparent, and in the clients' best interests.

Here are some highlights from these documents:

- › **Confidential information:** Our employees are prohibited from using confidential information gained in the course of their duties for their personal benefit or for the benefit of a third party. This includes information related to clients, transactions or client accounts. Our employees may not exploit any situation for the purpose of obtaining an advantage of any kind that would compromise confidential client information.

- › **Gifts, entertainment and compensation:** Employees are prohibited from accepting gifts, entertainment or compensation that could influence the decisions they make in the course of performing their duties and to compromise or give the impression of compromising their independence.

All decisions must remain objective and impartial, in the best interests of clients. Unless they have our prior approval, our employees may not receive any form of compensation other than what we pay them. We ensure that our employee compensation practices do not conflict with employees' obligations toward our clients.

- › **Other business activities and personal financial dealings:** Employees are prohibited from engaging in activities that could interfere or be in conflict with their duties. We will not permit any employee to engage in business activities outside the scope of their duties without our prior approval and without ensuring that these activities do not compromise our clients' interests or harm our own reputation or that of the industry. We would also consider an employee to be in a potential conflict of interest if they were designated as a beneficiary of a client's estate or otherwise inherit from a client's estate.
- › **Client best interests:** The interests of clients must always be given priority over those of NBF and its employees. When we receive two orders for the same security at the same or better price, we always execute the client's order before our or our employee's order. This also means that the Wealth Advisor has an obligation to choose the best investment for a given client, even if it is an investment that directly competes with our offerings. No Wealth Advisor is authorized to make recommendations solely for the purpose of generating revenue or promoting in-house investments if there is no benefit to the client and the recommendations do not constitute the best execution and the best investment for the client.
- › **Referrals:** On occasion, third parties may refer clients to us for our products and services. We or our Wealth Advisor may also refer clients to third parties. In all cases, referrals should prioritize clients's interests. When these referrals involve a commission, the commission must comply with existing regulations, and we notify the referred client about the commission and other relevant information. This allows the client to make an informed decision about the referral and to consider any potential conflict of interest. Any agreement must be made in the best interests of clients and not for the purpose of receiving a commission.
- › **Corporate financing, advisory and research activities:** We offer corporate financing, research and investment advisory services for a fee. We have established procedures and policies to avoid conflicts of interest and to protect the confidentiality of privileged information. In addition, our departments involved in advisory and research activities are physically isolated from all our trading activities thus preventing the unauthorized transmission of privileged information.
- › **Underwriting and market-maker activities:** In some cases, we may act as an underwriter, meaning we administer the public issue and distribution of securities. We may also be a market maker, which means we hold an inventory of securities and use it to quickly complete buy and sell orders. In some cases, the interests of the parties we work for can differ from the interests of our clients. Regulations govern the various roles we play. In a case of conflict, we are duty bound to abide by the applicable legislations and regulations. We will always give the client's best interest priority over our own interest so that any recommendation constitutes the best execution and the best investment for the client.
- › **Tied selling:** It is prohibited to require a client to purchase, use or invest in any product, service or security as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying, continuing to supply or selling a product, service or security.
- › **Policy respecting the allocation of securities:** We have a policy that deals with the allocation of securities among our clients when there are not enough securities to meet the demand. This policy is intended to ensure fair distribution of securities and thus avoid that a client entitled to a quantity of securities does not receive his fair share.
- › **Brokerage commissions:** We charge brokerage fees when an Wealth Advisor exercises discretionary power by trading investments on behalf of a third party. Examples include transactions carried out for an investment fund or for an account under discretionary management. We adhere to requirements intended to ensure that the brokerage fees are proportionate to the services the client receives. Also, we ensure that the client receives fair and reasonable benefit considering both the use of services and the amount of client brokerage commissions paid.
- › **Private placements and personal investments:** Employees who wish to participate in a private placement, as a buyer or promoter, must first go through our authorization and verification procedure to avoid or supervise conflicts of interest. Our employees' personal investments are also subject to our policies and supervision. Employees should not make personal investments based on confidential information held by NBF. We must always put clients' interests first over those of employees.
- › **Discretionary management:** We offer discretionary management services to our clients. In some instances, the securities making up the portfolios under management may also be held by some of our employees, officers or managers, or may come from our related or connected issuers. We may also offer, as part of the discretionary management programs, public and private investment funds (also called "private pools" or "private portfolios") managed by National Bank Investments Inc. or by National Bank Trust Inc., both affiliated with NBF and for which NBF, or one of our affiliated or related entities, acts as investment fund manager, portfolio manager or trustee, or provides other services to the funds (collectively, the "related funds"). We may also recommend that you invest in related funds even if you do not use our discretionary management services. For more information regarding material conflicts of interest that arise, or may arise, with respect to the private pools managed by National Bank Investments, please see our website [nbfwm.ca](http://nbfwm.ca) ("Regulatory Information" section). We must always put clients' interests first over those of NBF and its employees.

- › **Compensation and other benefits:** We are compensated for the business we perform for our clients. The level of compensation varies depending on the product and the type of remuneration. At all times, recommendations to clients are appropriate and are intended to give precedence to clients's interests, regardless of the compensation associated with the recommended product or service. There is no undue pressure on clients to acquire a product or service. In order to oversee these practices and ensure the absence of conflicts of interest, several controls are in place. Here are some examples of how compensation could lead to a conflict of interest, and how we avoid such conflicts:
  - **Compensation and benefits from issuers:** Issuers of securities or other related parties may compensate us based on the sale of their securities to our clients. An example is trailing commissions we receive for selling mutual funds. Securities regulations require issuers to include details in their offering documents about such arrangements and the compensation involved. Issuers can also pay or reimburse us for certain costs (registration for educational events, sales communications, conferences, seminars, etc.), allow us to attend to conferences or seminars and provide us with promotional items of minimal value. Regulations surrounding these sales practices are very strict and only benefits that meet the conditions must be accepted.
  - **Currency and interest rates:** On occasion, we may be compensated indirectly. For example, in a foreign currency exchange, we may receive compensation based on the difference between the price our clients pay for the currency and the price we pay for the same currency. We could also be compensated based on the difference between the interest rate we receive on invested funds and the interest rate actually paid to our clients.
  - **Marketplaces:** We may receive compensation based on the marketplace we use to carry out our clients' transactions. Regulations control the conditions under which we carry out our client transactions.
  - **Over-the-counter securities:** We may receive compensation for the purchase or sale of some over-the-counter securities. These investments are traded outside of the formal exchanges. We mark up the final price clients pay when they buy these securities, and mark down the final price clients receive when they sell these securities.
- **Compensation for Wealth Advisors:** Wealth Advisors qualify for different types of incentives, such as trips or bonuses, when the revenue they generate crosses a certain threshold. We prohibit Wealth Advisors from making recommendations solely for the purpose of generating revenue without any benefit to the client. We have a comprehensive supervision program in place to monitor Wealth Advisors and ensure that any recommendation they make is suited to the client's investment objectives, time horizon, risk profile, investment knowledge and overall financial situation.
- **Fee-based or commission accounts:** There may be periods when it would be cheaper for clients to pay a commission per trade instead of a fee based on the assets they hold. Wealth Advisors must always ensure that clients are using the billing method most suitable to their needs.
- **Fee-based accounts:** The more assets there are in your fee-based account, the more you will pay in fees; we therefore have an incentive to encourage you to increase the assets in your account. You will pay fees whether you make or lose money on your investments.
- › **Proxy voting:** Your Wealth Advisor may ask whether you intend to vote on a specific matter or question pertaining to the securities you hold. Your Wealth Advisor may even recommend you vote in a specific manner. Our employees are prohibited from accepting payment from the issuer or any other party that relates to any request for your vote or a proxy in their favour. Our policy is that any recommendation the Wealth Advisor makes must be in the best interests of the client.
- › **Transaction between two clients:** In some circumstances, we may have one client who wants to buy a security through us and another client who wants to sell the same security through us. Our policy is to ensure that we make such transactions at fair market value. Neither we nor our Wealth Advisors are authorized to favour one client over another. Regulations and our policies require Wealth Advisors to make only suitable investment recommendations to clients in their best interests.
- › **Margin accounts and investment loans:** A margin account or an investment loan generates debit interest and additional fees or commissions when we invest the amount borrowed. This benefits the Wealth Advisor, as well as us or one of our related companies that makes the loan. Any investment recommendation made by the Wealth Advisor must be suitable for the client and puts his interests first. Our employees cannot recommend a product solely on the basis of the amount it will bring us.

## Other conflicts of interest

Other existing or reasonably foreseeable conflicts of interest may arise. We will continue to take the necessary steps to identify and respond to such situations fairly and reasonably, and update our policies as required. Where not avoided, any material conflicts of interest will be disclosed to you as they arise.

## Referring clients among members of National Bank group of companies

NBF and other members of the National Bank group of companies refer clients to each other according to the needs of the client provided the client has given us their consent. At all times, referrals made must prioritize clients' interests, regardless of the commission or benefits received. To ensure this, a referral program is in place to oversee these practices. If one member of the National Bank group of companies does not offer services that a client needs, that member will refer the client to another member of the group that does. An example of a common referral is when National Bank refers a client to us to establish a brokerage account.

Some business units in the National Bank group of companies, including NBF, are registered under securities legislation. If you are referred to a business unit for a product or service that requires securities registration, that business unit is responsible to you for the activities that require registration. An example would be if you were referred to NBF by National Bank for an investment transaction; NBF would be responsible for everything related to that transaction.

## National Bank group of companies and referral arrangements

We enter into referral arrangements with the members of the National Bank group of companies listed below. We and these other members are completely separate from each other, but are all direct or indirect wholly owned subsidiaries of National Bank. Each member holds the appropriate registrations for the services they offer.

- › **National Bank** is a federally regulated bank, which offers a full array of banking services, including corporate and investment banking. It is an active player on international markets and, through its subsidiaries, is involved in securities brokerage, insurance and wealth management, as well as mutual fund and retirement plan management.
- › **National Bank Financial Inc. ("NBF")** is registered as investment dealer in all Canadian jurisdictions. NBF is a truly integrated, full-service securities dealer offering retail advisory and brokerage services with institutional brokerage, investment banking, corporate finance and securities clearing services for third parties. As well, its discount brokerage services (execution orders only) are provided under its trademark National Bank Direct Brokerage (NBDB), and other administrative and trading services (custody, clearing, account statement production, account opening management) are provided under its National Bank Independent Network (NBIN) trademark.
- › **Private Banking 1859** is a trademark NBF and other members of the National Bank group of companies use. It has been created for individuals and families with substantial financial assets who wish to ease the burden of managing their wealth on a day-to-day basis. These clients understand the benefits of entrusting this task to professionals. The business model is designed as a complete, integrated offering.
- › **National Bank Insurance Firm Inc.** is an indirect wholly owned subsidiary of National Bank. National Bank Insurance Firm Inc. offers a variety of insurance products and services, such as life insurance, disability insurance, critical illness insurance and other insurance products for individuals and businesses.
- › **NBF Financial Services Inc. and NBF Financial Services Ltd.** (together, "NBFFS") are wholly owned subsidiaries of NBF. NBFFS offers a variety of insurance products and services, such as life insurance, disability insurance, critical illness insurance and other insurance products for individuals and businesses.
- › **National Bank Trust Inc. and Natcan Trust Company** are wholly owned subsidiaries of National Bank of Canada and offer fiduciary, asset management, custody and discretionary portfolio management services.

### **Referral fees**

When we refer a client to another member of the National Bank group of companies or when another member of the group refers a client to us, one company generally pays the other a commission. A portion of the commission may be shared with your Wealth Advisor.

It is important to note that these referral arrangements will not increase the costs or fees of services provided to the client. Therefore, the client will not pay more as a result of any referral arrangement between us and other members of the National Bank group of companies.

The commissions give us and other members of the National Bank group of companies incentive to refer clients to each other. Despite these commissions, clients' interests must always come first. The commissions will vary depending on which member of the National Bank group of companies is involved and whether the client is referred to or by us.

**❖ See our website ("Regulatory Information" section) for the referral commissions that we could earn or pay through referral arrangements with other members of the National Bank group of companies. These referral commissions may change from time to time.**

We and the other members of the National Bank group of companies have adopted policies and procedures to help identify any material conflict of interest which may arise from these referral arrangements.

We will not be involved in nor made aware of your specific dealings with other members of the National Bank group of companies, except with regard to any referral commission generated, unless you have otherwise consented to the sharing of your financial information with other companies of the National Bank group.

The referral commissions we and the members of the National Bank group of companies share may be modified from time to time, in accordance with the referral arrangements we and other members of the National Bank group of companies may enter into with one another. In such cases, the list of referral arrangements and the information pertaining to the referral commissions will be updated and made available for consultation on the website.



# Communicating with beneficial owners of securities

Generally speaking, the securities held in your NBF account(s) are not registered in your name but in our name, or in the name of a person holding your securities on our behalf. This presents many benefits: the securities can be sold promptly, without you having to sign a power of attorney or endorse a certificate, and the dividends or interest payments can be deposited into your NBF account for reinvestment, rather than being paid by cheque, which would then have to be forwarded to us for deposit. This also allows us to issue consolidated tax slips, which is a great convenience when it comes time to file your income tax return.

However, it means that the issuers of the securities held in your account(s) may not know the identity of the beneficial owner of these securities. Under securities law, NBF is obliged to obtain your instructions on various matters pertaining to the securities held in your account(s). What follows is a summary of the rules pertaining to the communications with the beneficial owners of securities.

## 1. Disclosure of beneficial ownership information

Under securities law, reporting issuers, as well as other persons and companies, are allowed to send material pertaining to the affairs of the reporting issuer directly to the beneficial owners of their securities, provided these beneficial owners consent to the disclosure of their contact information. Part 1 of Section 10 of your Client File allows you to inform NBF that you **DO NOT CONSENT** to NBF disclosing beneficial ownership information (i.e., your name, postal and email addresses, the securities you hold and your preferred language of communication). Securities law limits the use of beneficial ownership information to matters pertaining to the affairs of the reporting issuer.

If you **CONSENT** to the disclosure of such information, please check the appropriate box on your Client File (first box in Part 1 of Section 10). You will not be charged for the delivery of security holder material.

If you **DO NOT CONSENT** to the disclosure of such information, please check the appropriate box on your Client File (second box in Part 1 of Section 10). If you check this box and if you also select to receive securityholder materials (see section 2), all materials will be sent to you through NBF. You may be charged a handling fee.

## 2. Receiving securityholder material

With regard to the securities you hold in your account(s), you are entitled to receive proxy-related material sent by reporting issuers to registered owners of their securities to allow you to receive information required to have your securities voted in accordance with your instructions at meetings.

Furthermore, although not required, reporting issuers are permitted to send beneficial owners other securityholder material.

Under securities legislation, you are allowed to refuse to receive three types of shareholder material, as listed below:

- a) Proxy-related material, including annual reports and financial statements sent in connection with a securityholder meeting
- b) Annual reports and financial statements that are not part of proxy-related material
- c) Material that a reporting issuer or other person sends to securityholders and which is not required under corporate or securities law

Part 2 of Section 10 of your Client File allows you to receive all material sent to beneficial owners, or to refuse to receive the three types of material listed in this section.

If you wish to receive **ALL** of the material sent to beneficial owners of securities, please check the first box in Part 2 of Section 10.

If you **DO NOT WISH** to receive any of the three types of material listed above, please check the third box in Part 2 of Section 10.

**Note:** Even if you do not wish to receive the material listed above, the reporting issuer or other person may send it to you, provided that the reporting issuer or other person pays all costs associated with the sending of this material. This material will be sent to you through NBF if you do not wish your contact information as a beneficial owner to be disclosed to reporting issuers.

### 3. Communication of information and receipt of documents by shareholders of European or foreign companies

As required by Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement and the related Commission Implementation Regulation (EU) 2018/1212 and national laws implementing those requirements (together, "SRDII"), a company with registered office(s) in the European Union that is admitted to trading on a European stock exchange (a "European Issuer") could request NBF to disclose information about its shareholders. If you hold securities from a European Issuer ("European Securities"), we may therefore be required to disclose to such European Issuer information about you such as your name, address(es) and details of the European Securities you hold. NBF may also disclose information to a foreign issuer if required to do so by applicable laws.

In addition, and in accordance with what is indicated in item 10 of your Client File, NBF may provide you with information relating to shareholders' meetings of European Issuers in order to enable you to exercise the rights flowing from your European Securities.

If you hold European Securities in your non-managed account, you will receive proxy material at the email address you provided us. If you did not provide us with a valid email address or if you did not update it (if applicable), we may not be able to send you such material and you may not be able to exercise the rights flowing from the European Securities you hold. If you hold European Securities in your managed account, we will not provide proxy material, unless you specifically request it from your Wealth Advisor.

To the extent a voting confirmation or voting receipt is made available in connection with an exercise of shareholder rights for the European Securities held in your account, you nominate NBF to receive such confirmation or receipt on your behalf. NBF will provide such confirmation or receipt to you upon request.

For the avoidance of doubt, NBF will have no liability to you for actions taken, or not taken, by us or our agents in good faith and intended to comply with any provision of SRDII.

### 4. Preferred language of communication

Part 3 of Section 10 of your Client File allows you to inform NBF of your preferred language of communication (English or French). You will receive material in your preferred language when available in that language.

### 5. Electronic delivery of securityholder material

I hereby declare that I have the technical capacity and resources (computer, telephone line and all other necessary equipment) to receive the above material electronically from NBF, via the Internet, and to access and read this material.

NBF shall not be held liable for any loss I may sustain, directly or indirectly, arising from delivery of any material by electronic means. Without limiting the generality of the foregoing, NBF shall not be held liable for malfunctions of equipment belonging to me or for the disruption of any delivery via electronic means.

Also, NBF shall not be held liable for damages that I may sustain in the event that an unauthorized third party, via my computer system or equipment, would succeed in breaching the security and information protection systems implemented by NBF. I hereby accept all risk inherent in communication and delivery of material by electronic means, including the Internet.

### 6. Change of instructions

You may change these instructions at any time by sending a written notice by registered mail to one of the following addresses. Changes will take effect on the third business day following receipt of the written notice by NBF.

.....  
 National Bank Financial  
 Account Opening and Documentation Management  
 800 Saint-Jacques Street, Suite 54001  
 Montreal, QC H3C 1A3  
 .....

.....  
 National Bank Financial  
 Account Opening and Documentation Management  
 250 Yonge Street, 19<sup>th</sup> Floor  
 Toronto, ON M5B 2L7  
 .....

### 7. Person responsible

For additional information concerning explanations pertaining to communications with beneficial owners of securities, please contact your Wealth Advisor.

# Treatment of U.S. withholding tax

This section applies only to clients who are qualified to reduced rates of withholding tax on investment income earned on U.S. securities.

It is *not* intended for:

- › Individuals who are residents in Canada
- › The federal, provincial or municipal government
- › Any agency of these governments

Our intent is to provide general information only, and this information should not be considered as legal or tax advice. We encourage clients to consult taxation or legal experts for further information, if required.

In order to continue enjoying reduced Treaty rates on withholding tax, qualified clients must certify that they are eligible for Treaty Benefits. Failure to certify would result in them paying the non-Treaty rate for withholding tax, generally 30%, on U.S. source investment income, which is considerably higher than Treaty reduced rates – generally 15% on U.S. source dividends and 0% on U.S. source interest.

## Treaty Statement

As part of the certification process, qualified clients must sign the Treaty Statement form.

In order to enjoy reduced Treaty rates on withholding tax, the client must be a “qualifying person,” as defined in the Treaty. Clients who are not qualifying persons may still be able to receive Treaty benefits if they satisfy other requirements, including the Active Trade or Business Test, the Ownership and Base Erosion Test or the Derivative Benefits Test explained in the Treaty.

A partial list of qualifying persons appears below.

## Qualifying persons

The following entities could meet the definition of a qualifying person under the Treaty. Please note that each entity must meet various requirements in order to be recognized as a “qualifying person”. This is not intended to be an exhaustive list.

- › Publicly traded companies or trusts
- › Subsidiaries of publicly traded companies or trusts
- › Private companies and unlisted trusts
- › Estates recognized as residents in Canada
- › Not-for-profit organizations
- › Registered Retirement Savings Plans, Registered Retirement Income Funds, Locked-in Retirement Accounts, Pension Funds, etc.

# Characteristics of our different types of accounts

This section provides you with a brief description of the different types of NBF accounts. The *General Account Agreement* on pages 31–36 gives the general terms and conditions that govern how these accounts work. In addition, all of the accounts, except the cash account, are subject to their own specific agreement or declaration of trust.

## Cash account

A cash account is an account into which you deposit money to be used to make investment transactions. When you buy or sell a security, we either debit or credit the appropriate amount on the applicable settlement date, which may vary depending on the product traded. Cash accounts are available denominated in Canadian and U.S. dollars, as well as in several other currencies.

### Applicable document:

- › General Account Agreement

## Margin account

A margin account is similar to a cash account, except that it includes a line of credit, which is determined by the value of your investments. In other words, you can borrow money – to finance additional investments or for any other purpose – based on marginable securities you already own and hold in your margin account. Margin accounts are available in Canadian and U.S. dollars.

### Applicable documents:

- › General Account Agreement
- › Margin Account Agreement

## Short margin account

This type of account is for experienced investors who engage in short selling. Short selling is a sophisticated investment strategy which can result in huge financial losses if the value of the security goes up instead of down. You should only consider a short margin account if you are a very experienced investor with a high risk profile. Be sure to obtain good financial advice before attempting short selling. Short margin accounts are available in Canadian and U.S. dollars.

### Applicable documents:

- › General Account Agreement
- › Margin Account Agreement

## Joint account (cash or margin)

A joint account has the same characteristics of the cash or margin account, except that it has two or more beneficial owners – usually two spouses – instead of one.

### Applicable documents:

- › General Account Agreement
- › Joint Account Agreement
- › Margin Account Agreement, where applicable

## Options account

This is an account used to trade options. For example, an investor who purchases an option has the right, but not the obligation, to buy or sell certain securities at a specified price within a specified time. There are two kinds of options: a “put” option gives you the right to sell the security, while a “call” option gives you the right to buy the security.

### Applicable documents:

- › General Account Agreement
- › Margin Account Agreement
- › Options Trading Agreement

## Futures account

This is an account in which you trade futures. A future is an agreement to buy or sell a commodity sometime in the future. The basis for futures contracts are products, such as agricultural products and natural resources (e.g., timber, oil and metals). Futures accounts are available in Canadian and U.S. dollars.

### Applicable documents:

- › General Account Agreement
- › Margin Account Agreement
- › Futures and options on futures trading agreement

## Hedge account

In this type of account, you short sell one category of an issuer’s securities (e.g., common shares) and buy another class of the same issuer’s securities (e.g., convertible bonds). This practice is an arbitrage strategy; that is, it aims to capitalize on the mispricing of one category of security compared to another (in this case, the issuer’s convertible bond and its underlying stock). Through a combination of long and short positions in the different types of securities, hedging can make it possible to generate consistent returns with minimal volatility, regardless of market direction. This is a complex investment strategy, which can best be delegated to professionals with much experience in the area. Hedge accounts are available in Canadian and U.S. dollars.

### Applicable documents:

- › General Account Agreement
- › Margin Account Agreement
- › Agreement concerning convertible securities hedge transactions

## Registered Retirement Savings Plan (RRSP)

A registered retirement savings plan is an account registered with the government, and it allows your investment returns (interest, dividends and capital gains) to accumulate on a tax-deferred basis until withdrawn from the RRSP. Another big advantage of an RRSP is that up to a set limit, your contributions are tax deductible, although they will also be taxable when eventually withdrawn from the account. An RRSP is essential for almost anyone looking to ensure themselves a comfortable retirement.

### Applicable documents:

- › General Account Agreement
- › Retirement Savings Plans (RSP) or Retirement Income Fund (RIF) – Application
- › Retirement Savings Plan (RSP) Declaration of Trust
- › Additional Terms and Conditions for USD Registered Accounts, where applicable

## Registered Retirement Income Fund (RRIF)

Like an RRSP, a RRIF is registered with the government, and allows your investment returns to continue accumulating on a tax-deferred basis. It is designed to give you a steady stream of income when you retire, while continuing to accumulate value on the amount that is still invested. And like RRSPs, you only pay tax on your investment earnings when you withdraw money from the account.

### Applicable documents:

- › General Account Agreement
- › Retirement Savings Plans (RSP) or Retirement Income Fund (RIF) – Application
- › Retirement Income Fund (RIF) Declaration of Trust

## Locked-in Retirement Account (LIRA), Life Income Fund (LIF) and other locked-in plans

LIRAs and LIFs are similar to RRSPs and RRIFs, but are for individuals who have accumulated assets in an employer-sponsored pension fund. Certain employee-sponsored pension plans allow you to take your accumulated pension contributions and the investment returns they have earned with you when you leave the employer, and to transfer them to a LIRA on a tax-free basis. Unlike an RRSP, you generally cannot withdraw the funds from a LIRA before you reach a certain age, unless you meet other conditions.

This can still be an advantageous solution because you retain control over your investments, and you do not have to be tied to a previous employer. However, keep in mind that each province and territory has its own regulations regarding the amounts you may withdraw from locked-in plans. When you retire, all assets in a LIRA must be transferred to a LIF, which, like an RRIF, is an account for paying out retirement income.

### Applicable documents:

- › General Account Agreement
- › For a LIRA: Retirement Savings Plan (RSP) Declaration of Trust
- › For a LIF: Retirement Income Fund (RIF) Declaration of Trust
- › Addendum according to legislation

## Registered Disability Savings Plan (RDSP)

An RDSP is a registered savings plan that is intended to help parents and others save for the long term financial security of a person who is eligible for the Disability Tax Credit. Contributions to an RDSP are not tax deductible and can be made until the end of the year in which the beneficiary turns 59.

### Applicable documents:

- › General Account Agreement
- › Self-Directed Disability Savings Plan – Plan Application
- › Joint Account Agreement, if joint holder

## Registered Education Savings Plan (RESP)

An RESP helps you finance the post-secondary education of those you name as beneficiaries, usually your children or grandchildren. It shelters your investment returns from taxes until they are withdrawn. When money is withdrawn and used to pay for the child's postsecondary education, the capital contributed the plan comes out tax free, while the investment earnings and government subsidies are taxed in the child's hands – typically at a much lower marginal rate than yours.

### Applicable documents:

- › General Account Agreement
- › RESP application and Education Savings Plan Terms and Conditions (for individual plan or family plan)
- › Joint Account Agreement, if joint subscriber

## Tax-Free Savings Account (TFSA)

A TFSA is a tax-free account: your investments are sheltered from tax while they appreciate, but you can withdraw your money, including any earned income and capital gain, without paying tax on it. The TFSA is not tied to a specific use, which means that you can make withdrawals whenever you want or need to. As part of an integrated strategy, a TFSA is an ideal complement to tax-deferred accounts.

### Applicable documents:

- › General Account Agreement
- › Tax-Free Savings Account (TFSA) application and Tax-Free Savings Account (TFSA) Declaration of Trust
- › Additional Terms and Conditions for USD Registered Accounts, where applicable

## First Home Savings Account (FHSA)

The FHSA allows you, as a prospective first-time home buyer, to save tax-free (up to certain limits) in anticipation of the purchase of a first home.

### Applicable documents:

- › General Account Agreement
- › First Home Savings Account (FHSA) – Application Form
- › First Home Savings Account – Declaration of Trust



# General Account Agreement

This section applies to all types of accounts you have opened with us. Please read it carefully, and let your Wealth Advisor know if you have any questions.

## 1. Our account relationship

By opening the account(s) you selected on your Client File you appoint us to buy, sell, borrow, and lend securities, and pay out cash on your behalf, according to your instructions.

We keep a record of all the securities you buy and sell, along with the cash balance you hold in your account. We credit your account with the net amount of any interest, dividend, sales proceeds or other amount received with respect to the securities in your account. We also debit your account for any amount you owe us under the terms of this agreement.

Your Client File sets out your investment objectives in respect of the investments made on your behalf. These objectives may only be changed by signing a new Client File. You understand that there are risks associated with any investment, and that the level of risk you will be undertaking depends, in part, on your investment objectives.

## 2. What happens when you deposit securities

When you or your representative deposit securities into your account, you warrant that you own those securities and that they can be sold freely, without giving anyone any notice or obtaining consent from anyone or any regulatory authority.

We hold your securities in a safe place, and we treat them with the same care that we treat our own. We follow strict rules set out by the various organizations governing investment dealers in Canada.

If you ask us to return any of your securities, we might not give you the specific certificate you actually deposited, and may instead deliver another certificate for the same security and for the same total amount. We cannot guarantee the delivery of certificates or securities in any circumstance where the transfer agent or registrar of the securities is unable to provide us with a certificate or the securities.

## 3. How we handle your orders

Once you have given us your instructions, we alone will decide, in accordance with the applicable rules and regulations, the best way to go about buying or selling securities for your account. We may complete your transaction:

- › On its own, as a separate transaction.
- › As part of a larger transaction involving other customers, our agents and ourselves.
- › By buying from or selling to ourselves or other National Bank Financial customers.
- › As part of broken lots and by public or private sales.

We alone have the right to refuse any of your orders or instructions if we think they are unreasonable, in breach of regulations, or ill-advised, taking into account factors such as the state of your account, the type of transaction involved, your investment objectives and your financial situation.

Once we act on your order to buy or sell securities you cannot change or cancel the transaction, and you remain responsible for all consequences and costs of the order.

Your orders are subject to the rules and regulations of the relevant exchanges or markets, the self-regulatory organizations to which we belong, and the clearing houses through which transactions are processed.

You are responsible for all transactions made for your accounts, including those authorized by any person you have appointed as your agent.

If you buy or sell segregated funds offered through our insurance affiliates, you appoint us to act as an agent in transmitting instructions to the issuer of the segregated funds according to the segregated funds contracts.

#### 4. Order or instruction received by email

We strongly advise you against transmitting your orders or instructions by email. If you nonetheless choose to do so, you agree to be fully responsible for orders or instructions transmitted to your Wealth Advisor by email. Instructions by email are not guaranteed. They may not be read or executed at the opportune moment, especially if they are incomplete or contain errors.

#### 5. Confirming your orders

We will send you a written confirmation of each transaction made for one of your accounts, unless you or a regulatory authority has granted us a waiver. For example, if you have a discretionary account, you may choose not to receive trade confirmations. These confirmations are sent on the day after the transaction date, either in paper form by regular mail or electronically. If you choose **electronic delivery**, you will be able to consult your trade confirmations on our secure website, which you can access at your convenience with the username and password we will assign to you.

Please verify all trade confirmations, and let us know of any error or problem within 10 days from the date you receive them. If we have not heard back from you within the 10-day period, we will consider the trade confirmation to be accurate, and that you have authorized, recognized, and accepted the transaction made for your account.

#### 6. Regular reporting on your investments

Whenever there will be transactions in your account during a giving month, we will send you a month-end portfolio statement reporting all of the activities that took place during the course of that month, at the beginning of the following month. If there was no activity in your account but it still holds cash or securities, a portfolio statement will be sent to you every quarter. If you choose **electronic delivery**, you will be able to consult your portfolio statement on our secure website, which you can access at your convenience with the username and password we will assign to you.

Make sure you examine all statements carefully, and let us know of any error or objection within 30 days from the date of receipt. If we do not hear from you within that 30-day period, we shall consider that you have accepted the portfolio statement as containing no errors or omissions, and that you have authorized, recognized, and accepted the transactions listed therein.

#### 7. The Investment Performance Report and the Annual Fees and Compensation Report

NBFWM provides two annual reports that include information pertaining to your account(s).

The *Investment Performance Report* indicates your return on investments within your account(s). It clearly identifies the changes in the market value of your assets, along with the rate(s) of return over the preceding year, and since account inception.

The *Annual Fees and Compensation Report* summarizes the amounts we received either directly or indirectly over the preceding year for providing you with advice and services related to your investment account(s). A portion of this sum is paid as remuneration to your Advisor, and the remainder is retained by our firm to maintain and support your account(s).

NBF also supplies average cost information and by comparing the current market price of any given security in your account to its average cost, you can determine whether you have an unrealized profit or loss for this investment.

#### 8. Your responsibilities in the delivery of securities

Unless the sale is made in a short margin account opened with us for that purpose, you may only instruct us to sell a security we already hold for you or that you can deliver to us, in an acceptable and negotiable form, by the settlement date or as otherwise directed by us.

To protect ourselves, we may buy or borrow securities and deliver them on your behalf without giving you any notice if:

- › You fail to deliver securities that are acceptable to us by the settlement date of a sale or as otherwise directed by us.
- › We have previously borrowed securities for you for a short sale and the owner wants them back.
- › Any regulatory authority orders us to replace securities for a short sale.
- › We think it is advisable to replace securities borrowed for your account for a short sale.

You are responsible for all liabilities and expenses of these transactions, and for any loss we may sustain by reason of your failure to supply us with the security in an acceptable and negotiable form on time.

## Leverage risk disclosure statement

It is important to understand that using borrowed money to finance any part of the purchase of a security (also called “leveraging”) is not suitable for all investors. Using borrowed money involves greater risk than using your own funds. If you borrow money to buy securities, your responsibility to repay the loan and pay interest in accordance with its terms remains the same, even if the value of the securities you have bought declines.

## 9. How we treat cash in your account

For accounts other than RRSPs, RRIFs and other registered plans, we handle cash balances in the same way that banks treat deposits. We are not required to hold this cash separate from our other operations, and we have the right to use any or all of this cash in our business activities. We are required to return it to you on demand, or to use it to settle transactions you initiate.

## 10. How we are protected for any amount you owe us

You agree to pay promptly all amounts owed to us, from time to time, including the following:

- › The purchase price of securities we buy for your account, even if we have not actually received those securities or delivered them to you.
- › Commissions and charges for each transaction.
- › Management fees (for discretionary accounts).
- › Interest on all credit we grant you, including debit balances and money we provide for your margin account.
- › Borrowing fees involved in short sales.
- › Administration fees.
- › Foreign exchange rates and costs arising from currency conversions.

To make sure we are able to recover what you owe us, you grant us the following rights:

### a) Right of Set-Off

If you fail to pay what you owe us, we can transfer any cash balance from one of your accounts to any other account you have with us, including joint accounts or accounts you have guaranteed. We may also sell or redeem any security held in or credited to your account(s), and apply the cash proceeds thereof to pay what you owe us. We do not need to give you prior notice when exercising such set-off rights for unpaid amounts you owe us. If you owe us more than the value of the financial assets in your account(s), you remain responsible for paying the remaining balance of the full amount owed to us.

### b) Security interest and hypothec

In order to guarantee the payment of all amounts you may owe us in the future, you hereby grant to us a security interest, or in Quebec a hypothec in all assets, including but not limited to securities and cash balances held in, or credited to, your account(s) with us (the “Collateral”) now or at any future time. With respect to any Collateral that is subject to the laws of Quebec, since the *Civil Code of Québec* requires that the amount of the hypothec be specified, such hypothec is granted for a sum of \$100,000,000. To that end, you hereby grant us control over the Collateral. This amount does not represent the amount of your obligation to us nor the amount of any credit available to you by NBF. The hypothec has no practical impact on you, unless you owe amounts to us.

### c) Use of securities and Collateral

We may hold the Collateral wherever we wish, through any third party of our choice, and may show this agreement to any third party to prove that we control the Collateral.

If you owe us money, we may use the Collateral, in whole or in part, without notice to you and without your prior permission, to conduct our normal business, including:

- › Pledging, hypothecating and otherwise using it as security for any of our debts.
- › Selling, redeeming or otherwise disposing of it, without any prior notice and without needing to observe any time limits or grace periods.
- › Lending all or part of it in the day-to-day management of our activities, transferring the Collateral in any of your accounts to any of your other accounts.

We may also use any financial asset held in, or credited to your accounts to make delivery when we complete a sale for your account, for another of our customer's accounts, or for any account in which we may have a direct or indirect interest.

If you owe us money or securities, we may also cancel any of your outstanding orders, enter *stop loss orders* or *stop buy orders*, as the case maybe for any security in your account, or withdraw or change any such stop loss order or stop buy order.

### What is a stop loss order?

A *stop loss order* is an order triggered when the price of a stock rises or falls to a certain price. Generally, it is an order to sell a stock when it drops to or below a certain price. It is designed to automatically limit your losses on that security. It is important to know that the securities will be made available on the market when the stop loss price you have determined will have been met. It does not mean that the selling price will be your "stop loss price." It could be less depending on market volatility.

We may exercise any of these rights separately or in any combination we want. We alone decide which assets in your accounts to sell and which ones to keep.

If we choose not to exercise any of our rights in this agreement, it does not mean we have waived those rights. Moreover, our decision not to hold you to any provision in the agreement will be limited to that one occasion only, unless we expressly say otherwise in writing.

You agree to reimburse us the reasonable costs incurred for the collection of the amount you owe to us, including legal fees.

## 11. Our liability

We act as your agent or mandatory, but you alone are responsible for your investment decisions and for all transactions conducted on your accounts. You agree to indemnify and hold us harmless from and against any losses, damages, claims, expenses or penalties of any kind, whether direct or indirect, arising out of such transactions or operations in your account as well as any tax consequences.

We are not liable to you for errors or omissions in any transaction or operation or for any kind of loss of revenue or profits, failure to realize expected profits or savings, missed investment opportunities, or any damages (direct, indirect or consequential) or expenses that you or anyone else may experience in connection with your account(s), unless such loss or damages are caused by our negligence.

For advisory accounts, you alone are responsible for knowing about developments related to your investments, such as stock splits, reorganizations and consolidations. We do not have to notify you or give you information about such developments, unless required by law.

## 12. Required regulatory information

You represent to us that, unless you have notified us to the contrary in your Client File, neither you nor your spouse or any beneficial account holder over whose account you or your spouse exercise control is neither:

- › An insider of any reporting issuer of securities;
- › Alone, or as part of a group, in a position of control regarding any public company;
- › A partner, director, employee, affiliate, associate or member of any investment dealer; or
- › A non-resident of Canada within the meaning of the *Income Tax Act*.

You agree to notify NBF immediately if your status changes in this regard.

### 13. Tax matters

When we prepare your tax reporting slips, we rely on the information you provide to us. We do not provide any tax advice. You alone are responsible for the accuracy of your tax filings.

If you hold any account relating to a minor or a trust, you alone are responsible for giving the income from these accounts to the appropriate party(ies), paying any tax liability, complying with any investment restriction, and providing any duty of care and fiduciary obligations.

If a minor owns the cash and securities in the account(s), you are the guardian (or the tutor) of the minor's assets. We are entitled to pay any money owing in relation with this account. We are not liable for any kind of loss, damage or expense that you or anyone else may experience as a result of these payments.

### 14. Legal capacity

If you are an individual, you agree that you have the authority and capacity to enter into a legal agreement and to perform the obligations explained in our agreement with you.

For the account of a legal entity, you agree that the legal entity exists and has been properly constituted or formed, and that you have the authority and capacity to sign agreement documents, deliver them to us, and perform any obligation explained in this agreement.

### 15. How this agreement can be amended or terminated

We may amend the agreement by giving you 30 days' written notice. You can close any account with us at any time by giving us notice in writing. We will close the account three business days after we receive your notice, or as soon as possible.

We may also terminate this agreement and close your account by giving you notice and asking you to transfer your account to another broker within a reasonable time limit. If you fail to close your account or transfer your assets within that time limit, we may take any action required to close the account. You alone are responsible for financial or tax consequences arising out of the termination, closure, transfer or liquidation of your account.

In the event that your account does not contain any security or positive cash balance for a period of at least 18 months, we may, at our sole discretion, close your account and terminate your account agreement(s) with us, without prior notice to you.

### 16. The laws governing our agreement with you

If you have indicated in your Client File that you are a resident of a province or territory of Canada, your account is governed by the laws of that province or territory, as well as by the federal laws of Canada. If you have indicated that you are not a resident of Canada or if you become a non-resident of Canada, your account is governed by the laws of the jurisdiction in which your Wealth Advisor's branch is located.

If any provision in our agreements with you conflicts with the applicable laws or is found to be invalid or unenforceable by a court of competent jurisdiction, the invalidity unenforceability of the provision shall not affect the application of the other provisions which shall remain in force.

If any amendment to an applicable law is changed in a manner that conflicts with any provision of our agreements with you, that provision is automatically considered amended as well so as to comply with the law. We will try to give you a prompt notice of these amendments. All other provisions of the agreements will remain unchanged.

We may impose stricter standards than those imposed by the applicable law or other rules and regulations.

## 17. Residents of the United States

As a Canadian securities dealer, we must advise all of our clients residing in the United States that their accounts held at NBF are not regulated under the United States' securities laws. Neither we nor our Wealth Advisors are subject to the United States broker-dealer regulations.

### Relationship between NBF and National Bank or Another Entity (including another entity of the National Bank group of companies)

The NBF branch where you have opened your account may share the same premises as those of a National Bank branch or another entity. You must be informed that your account is opened with NBF and not with National Bank or the other entity. You must also be informed that NBF is a separate legal entity from National Bank and from any other separate legal entity with which NBF may share premises. In addition, it is also important to understand that unless otherwise notified by your Wealth Advisor or NBF, the securities purchased from or through NBF are not insured by a government deposit insurer, nor are they guaranteed by National Bank or the other entity, and that they may fluctuate in value.

## 18. Obligations of respective successors

This agreement is binding on you and on us, as well as on your respective heirs, executors and administrators, and our respective successors and assigns. You may not transfer ownership of any of your rights and obligations under this agreement or any other agreement with us to anyone else without our written approval. We may assign the agreement and your account to another party, including a company associated or affiliated with us, after giving you notice.

## 19. NBF is a member of the Canadian Investor Protection Fund

NBF is a member of the Canadian Investor Protection Fund ("CIPF"). CIPF protects your account within certain limits. These limits are described in the CIPF pamphlet, which is included at the end of this booklet.

## 20. When this agreement takes effect

Our agreement with you comes into force immediately upon us following your instructions for the first time, or when you sign all the requested documents related to your account, whichever comes first.

# Supplementary agreements and Declarations of Trust

This section presents supplementary agreements to the *General Account Agreement*, as well as Declarations of Trust relative to specific accounts. Please take time to read them and contact your Wealth Advisor if you have any questions.

## Margin Account Agreement

When you open a margin account, you agree to the terms and conditions described in this document. They are an integral part of your agreement with us.

Your margin account is also subject to the *General Account Agreement* contained in this brochure, as well as to the provisions of the Client File that you have signed. In the event of conflict between the general terms and conditions in these documents and this *Margin Account Agreement*, the *Margin Account Agreement* will prevail.

A margin account allows you to borrow funds. It is what we call "margin investments" or "using financial leverage". With a margin account, you can borrow funds from the securities you already hold in your account or from part of the value of the securities that you wish to purchase. This can increase your gains, but it can also increase your losses. That is why the use of borrowed funds to finance the purchase of securities bears greater risks than paying for the securities you wish to acquire with funds you already have.

Please take time to read the terms and conditions below. Should you have any questions, please contact your Wealth Advisor.

### 1. Margin requirement and margin calls

Regulations dictate the maximum borrowing value of each security. Some securities have no borrowing value. We can also choose to set a lower value than the maximum borrowing value established by regulations.

You undertake to maintain a certain amount of cash and/or securities that can be used for margin borrowing in your margin account. These securities and liquidities are known as the margin. We have the right to determine the margin amount that must be maintained in your account from time to time. We may require additional margin at any time for any reason. We hold your margin as collateral for the repayment of sums borrowed on your margin account.

The request for additional margin is referred to as a margin call. You undertake to meet all margin calls promptly by providing the liquidities or securities eligible for a loan.

We may issue a margin call by any means of communication with you, namely in writing, by telephone, by fax, by messenger or by email. Under certain circumstances, we have the right, without the need to issue a margin call, to sell part or all of the securities in your account, or to purchase securities for which your account is overdrawn.



## 2. Failure to meet a margin call

If you fail to meet a margin call, we may take any measure to protect our interests, including:

- › Liquidating the securities in your account and applying the proceeds to the amount that you owe us.
- › Buying or selling securities for your account and placing stop orders.
- › Transferring liquidities or securities from any other account you hold with us into your margin account.

It is in our sole discretion to choose the measures we take, and we do not have to give you any notice. If you owe more than the total value of the liquidities and securities held in all of the accounts you hold with us, you remain liable for any remaining deficiency, along with all accumulated fees and interests.

## 3. Interest on credit

You agree to pay interest on any credit we grant you for the trading of securities in your margin account, as well as any borrowing fee that could arise from short sales. Interest rates on debit and credit balances are available upon request or may be consulted on our web site. The interest on any loan is calculated on a daily basis and reported monthly.

## 4. The different ways we can use your liquidities and your securities

If you have a short position or are indebted toward us, we may use the liquidities and securities in your account to carry out our activities. We may, without notice to you, use them as collateral to guarantee any one of our debts, or we may borrow them, in part or in whole, either separately or together with other securities.

We may also use all of the securities in your account for making delivery against a sale for your account, for the account of another one of our clients, or for any other account in which we could have a direct or indirect interest.

## 5. Rules pertaining to short sales

### What is a short sale?

A *short sale* occurs when you borrow a position and then sell it with the hope that its market value will decline. If the value declines, you can then buy the position at a lower price, and return it to the third party from whom you had borrowed it. The difference in value constitutes your profit. If the value increases, you must purchase the position at a higher price, and return it to the third party from whom you had borrowed it. The difference in value constitutes your loss.

When you place an order for a sale, you are always considered to own the securities that you wish to sell, unless otherwise specified by you. When you place an order for a *short sale*, you must inform us that you do not own the securities to be sold.

To complete a short sale, we borrow securities from third parties, and sell them for your account. The third parties from whom we borrow securities may request them back at any time. As a result, you agree to return all borrowed securities by purchasing equivalent positions at current market prices. At any time, we may purchase securities for your account, especially, in order to reimburse the lending party, if a regulatory authority demands that we replace the securities that were used to carry out the short sale, or for any other reason.

## Joint Account Agreement

When you open a joint account with one or several individuals, you agree to the terms and conditions described in this document. They are an integral part of your agreement with us.

Your joint account is also subject to the *General Account Agreement* contained in this brochure, as well as to the provisions of the Client File that you have signed. In the event of conflict between the general terms and conditions in these documents and this *Joint Account Agreement*, the *Joint Account Agreement* will prevail.

Please take time to read the terms and conditions below. Should you have any questions, please contact your Wealth Advisor.

### 1. Joint and several liabilities

Each holder of a joint account is responsible to meet all of the requirements and obligations pertaining to the account, financial or otherwise. In other words, you are not only responsible for part of the obligations pertaining to the account, but for the account as a whole, as if you were the sole holder. This includes debit balances, losses arising from any transaction in the account, as well as fees, commissions and expenses.

If your account carries a debit balance, we may collect the total amount outstanding from any of the account holders, regardless of which owes the amount.

### 2. Authority of each joint account holder

Each account holder may act as the sole owner of the account, with the power to make decisions and give instructions independently of the other account holder(s). If one of the account holders gives us instructions or places orders, we may treat such requests as if they had been issued jointly by all holders of the joint account. Instructions given by one of the account holders binds all other holders of the joint account.

We do not have to question orders or instructions from one of the account holders, even if they involve the delivery of all securities and liquidities to this holder's personal benefit, to that of a third party, or to that of any other account. You agree that we do not have to give separate notice to the other account holder(s), nor request authorization before or after having executed any order or instruction of one of the account holder. However, we reserve the right to request written notice from all account holders for any instruction or order, should we choose to do so.

It is possible to revoke an instruction or order. However, once the instruction or order has been executed, you may not cancel it, and you remain liable for any loss that may occur as a result, if any.

### 3. Ownership right of your joint account

#### a) For non-residents of Quebec

At the time of opening a joint account, account holders who live outside of Quebec must elect whether the account will be:

- › A joint tenancy; or
- › A tenancy in common.

Here is what you need to know about these options:

#### › Joint tenancy

If you choose the joint tenancy option, each holder will share undivided ownership in the joint account, but none will have the right to individually claim a part of it.

In the event of the death of one of the joint account holders, the joint account will become entirely the property of the surviving joint account holder(s). The deceased will automatically lose any and all rights pertaining to the joint account, and the estate of the deceased will not be entitled to assert any right pertaining to this joint account.

In the event of the death of one of the joint account holders, the surviving account holder(s) must notify us immediately in writing. Until we receive such written notice, we are authorized to execute instructions or orders as if no change had taken place.

There will be no change to the terms and conditions of the *Joint Account Agreement*.

### › **Tenancy in common**

If you choose the tenancy in common option, each account holder will have an equal individual ownership interest in the account.

In the event of the death of one of the joint account holders, the deceased's share of the joint account will be disposed of in accordance with the will of the deceased or applicable intestacy laws. The other account holder(s) will have no right pertaining to the deceased's share.

In the event of the death of one of the joint account holders, the surviving account holder(s) must notify us immediately in writing. Until we receive such written notice, we are authorized to execute instructions or orders as if no change had taken place.

Upon receipt of the written notice, we have the right to freeze any activities pertaining to the deceased's share of the joint account and to transfer that share to the representative responsible for the deceased's estate. However, we reserve the right to freeze any and all activities in the entire joint account and to refuse to execute any transaction until we receive the necessary probate documents.

Whether you elect a joint tenancy or a tenancy in common, the estate of the deceased account holder (as well as every surviving account holder) remains liable for:

- › All amounts owing as a result of transactions executed prior to the receipt of the written notice of the deceased's death.
- › All fees incurred by the sale of securities in the joint account or pertaining to changes in the ownership interest of the joint account holders.

### **b) For residents of Quebec**

If at least one of the joint account holders is a Quebec resident, each account holder is deemed to have equal undivided ownership in the joint account.

In the event of the death of one of the account holders, the surviving account holder(s) will **not** have the right to issue instructions or make withdrawals from the account until we have received the necessary probate documents and the permission from the liquidator of the succession.

The estate of the deceased account holder (as well as every surviving account holder) will remain liable for:

- › All amounts owing as a result of transactions executed prior to the receipt of the written notice of the deceased's death.
- › All fees incurred by the sale of securities in the joint account or pertaining to changes in the ownership interest of the joint account holders.

## **4. The laws governing our agreement with you**

Your joint account is governed by the federal laws as well as by the laws of the province or territory of residence of the account holder identified as the "account holder no. 1" on the Client File, the said province (or territory) is specifically the one indicated on the Client File when opening your joint account.

In the event that the "account holder no. 1" is a non-resident of Canada, the joint account is governed by the federal laws as well as by the laws of the province or territory of residence of the subsequent Canadian account holder identified on the Client File, the said province (or territory) is specifically the one indicated on the Client File when opening your joint account.

## **5. Our communications**

We will send all communications to the person indicated in your Client File as the primary account holder, at the last address we have on file. When we communicate with this account holder, we are deemed to have communicated with all account holders.

## Retirement Savings Plan (RSP) Declaration of Trust

We, Natcan Trust Company, a trust company incorporated under the laws of Canada, hereby declare that we will act as trustee for you, the annuitant named in the application for a National Bank Financial Retirement Savings Plan (the "Plan") upon the following terms.

1. **DEFINITIONS.** For the purposes hereof, the words and expressions set out below shall have the following meanings:
  - a) **Agent:** National Bank Financial Inc., as designated in Subsection 14 a) hereof.
  - b) **Annuitant:** The person whose name is indicated as such in the Application and, after his death, the surviving Spouse as provided in the definition of the term "annuitant" under Subsection 146(1) of the *Income Tax Act* (Canada).
  - c) **Application:** The application for membership in the Plan, completed and signed by the Annuitant.
  - d) **Assets in the Plan:** All property of any nature whatsoever which makes up the Plan, including the contributions made to the Plan from time to time, as well as any income, capital gains or other gains of any type whatsoever, generated or realized during the administration of the Plan by the Trustee.
  - e) **Beneficiary:** The person who is or would be legally entitled to receive any Assets in the Plan or proceeds from the disposition of the Assets in the Plan in the case of the death of the Annuitant, pursuant to the applicable legislation, such as the Annuitant's surviving Spouse, estate, designated beneficiary or legal representative within the meaning of the *Income Tax Act* (Canada).
  - f) **Contributing Spouse:** The Spouse of the Annuitant whom the Annuitant declares in the Application is the Spouse who can make contributions to the Plan (applicable only for spousal RSPs).
  - g) **Maturity Date:** Has the meaning ascribed to it in Section 4 hereof.
  - h) **Plan:** The National Bank Financial Retirement Savings Plan established by the Trustee for the benefit of the Annuitant in accordance with the terms and conditions contained in the Application and herein, as such Plan may be amended from time to time.
  - i) **Spouse:** A spouse or a common-law partner as defined in the *Income Tax Act* (Canada) respecting an RSP.
  - j) **Tax Legislation:** The *Income Tax Act* (Canada) and corresponding legislation of the province in which the Annuitant resides specified in the Application, and the regulations adopted thereunder.
  - k) **Trustee:** Natcan Trust Company, a trust company duly incorporated under the *Trust and Loan Companies Act* (Canada).
2. **ESTABLISHMENT OF THE PLAN.** By means of the transfer by the Annuitant or the Contributing Spouse, if applicable, of a sum of money or any other property specified in the Application, the Annuitant establishes with the Trustee a retirement savings plan for his benefit in order to obtain a retirement income at the Maturity Date. All contributions paid to the Plan, as well as any income, capital gains or other gains of any nature whatsoever, generated or realized by the Plan, and held in the Plan by the Trustee, and invested pursuant to the terms and conditions provided herein, shall be applied to the establishment of a retirement income for the Annuitant.
 

The Plan shall constitute a trust for the purposes of Tax Legislation only, excluding any other purpose whatsoever.

The Trustee, by accepting the Application, agrees to administer the Plan in the manner stipulated herein. Subject to registration of the Plan under the Tax Legislation, this Declaration of Trust shall take effect on the date of acceptance by the Trustee of the Application.
3. **REGISTRATION.** The Trustee shall apply for registration of the Plan pursuant to the Tax Legislation. In the course of such registration, the Trustee is hereby authorized to rely exclusively on the information provided by the Annuitant or his Spouse, as applicable, in the Application.
4. **MATURITY DATE.** The Plan shall mature on the date determined by the Annuitant, which date may be no later than December 31 of the calendar year during which the Annuitant shall reach the maximum age prescribed under the *Income Tax Act* (Canada).
5. **CONTRIBUTIONS.** Until the Maturity Date, the Annuitant or the Contributing Spouse, if applicable, may at any time make additional contributions to the Plan. The Annuitant and the Contributing Spouse, if applicable, shall be solely responsible for ensuring that such contributions are within the limits prescribed by the Tax Legislation as well as for determining the taxation years for which such contributions may be deducted for income tax purposes.
6. **EXCESS CONTRIBUTIONS.** Within 90 days of receipt by the Trustee of a written request from the Annuitant or the Contributing Spouse, if applicable, the Trustee shall pay the person who made the contribution the amount set out in such request, constituting all of any excess cumulative contributions paid into the Plan, over and above the limits prescribed by Tax Legislation, in order to make it possible to reduce the amount of tax applicable to such cumulative excess contributions under Part X.1 of the *Income Tax Act* (Canada). The Trustee is not responsible for calculating the excess contributions made to the Plan by the Annuitant or his Spouse.

Unless otherwise instructed by the person making the request within 75 days of the receipt of the written request, the Trustee may dispose of the investments which it may select, in its entire discretion, for the purposes of such payment. The Trustee shall not be liable for any losses incurred by the Plan as a result of such disposition.

**7. INVESTMENTS.** Until the Maturity Date, the Assets in the Plan shall be invested in investments that qualify for registered retirement savings plans within the meaning of Tax Legislation ("qualified investments"), in accordance with instructions given by the Annuitant to the Trustee from time to time in a form deemed satisfactory by the Trustee. The Annuitant is responsible for ensuring that investments made in or transferred to the Plan are and remain qualified investments, and acknowledges that the Trustee shall incur no liability. The Trustee shall not be held liable with regard to the investment of the Assets in the Plan, whether or not made pursuant to instructions given by the Annuitant. The investments shall not be limited to ones authorized by law for trustees.

Notwithstanding any provision herein, the Trustee may, at its sole discretion, refuse to accept a property transfer or to make any investment whatsoever, especially if the Trustee believes that the investment does not comply with its internal standards or policies. The Trustee may also require the Annuitant to provide specific supporting documents before making certain investments under the Plan.

The Annuitant may exercise the voting rights attached to units, shares or any other securities held in the Plan, as applicable. For this purpose, the Annuitant is hereby appointed the Trustee's agent and attorney to execute and deliver proxies and other instruments in accordance with applicable laws.

## 8. RESTRICTIONS.

- a) Assignment:** The Annuitant acknowledges that this Plan, as well as the rights and benefits arising therefrom, may not be assigned or otherwise transferred.
- b) Security.** The Annuitant acknowledges that the Plan or the Assets in the Plan may not be given as security by way of a mortgage or otherwise.
- c) Effects.** Any agreement which purports or attempts to contravene the restrictions contained in this Section 8 shall be null and void.
- d) Withdrawals.** The Plan does not provide for any payment before the Maturity Date except a refund of premiums in a lump sum or a payment to the Annuitant.

Subject to such reasonable requirements as the Trustee may impose, the Annuitant may at any time prior to the Maturity Date withdraw an amount from the Plan by making a request in a form deemed satisfactory by the Trustee.

The Trustee shall then dispose of all or certain of the assets as indicated by the Annuitant and pay the Annuitant an amount equal to the proceeds of the disposition of such assets (net of applicable disposition costs), less any (i) charges and taxes (including interest and penalties) that are or may become payable by the Trustee or the Plan itself, and (ii) any amount required to be withheld therefrom on account of the Annuitant's own liability for taxes resulting from a withdrawal of funds from the Plan.

Withdrawals from a Plan with assets held in a locked-in arrangement may only be made as may be permitted by applicable laws as described in the applicable supplemental agreement.

Upon such payment, the Trustee and Agent shall be subject to no further liability or duty to the Annuitant with respect to the Assets in the Plan, or the portion thereof that has been disposed of and paid. The Trustee will issue to the Annuitant such information returns in respect of any withdrawal, as required by applicable laws.

If only a portion of the Assets in the Plan is disposed of in accordance with the foregoing paragraph, the Annuitant may specify in his notice which assets he wishes the Trustee to dispose of. Failing this, the Trustee shall dispose of such assets as the Trustee, in its sole discretion, may deem appropriate for this purpose. The Trustee shall not be liable for any losses incurred as a result of such disposition.

- e) Transfers to Other Plans.** Subject to any legal conditions and such reasonable requirements as the Trustee may impose, the Annuitant may at any time request, in a form deemed satisfactory by the Trustee, that the Trustee:
  - i) transfer all or certain Assets in the Plan, or
  - ii) dispose of all or certain of the Assets in the Plan and transfer an amount equal to the proceeds of disposition of such assets (net of applicable disposition costs), less (i) any charges and taxes (including interest and penalties) that are or may become payable by the Trustee or the Plan itself, and (ii) any amount required to be withheld therefrom on account of the Annuitant's own liability for taxes arising on a transfer from the Plan to another registered plan as permitted by applicable laws.

Such transfers shall take effect within a reasonable time after all forms required to be completed in respect of such transfer have been completed and forwarded to the Trustee. Upon such transfer, the Trustee and Agent shall be subject to no further liability or duty to the Annuitant with respect to the Assets in the Plan, or the portion thereof, so transferred, as the case may be.

If only a portion of the Assets in the Plan is transferred in accordance with the foregoing paragraph, the Annuitant may specify in his notice which assets he wishes to so transfer or which assets he wishes to dispose of in order

to effect such transfer. Failing this, the Trustee shall transfer or dispose of such properties as it, in its sole discretion, may deem appropriate for this purpose. The Trustee shall not be liable for any losses incurred as a result of such disposition or transfer.

**9. RETIREMENT INCOME.** On the Maturity Date, the Trustee shall dispose of all Assets in the Plan, and using the proceeds from such disposition, after having paid any applicable cost of disposition thereof and the charges, taxes and fees payable hereunder, the Trustee covenants to pay the Annuitant a retirement income, in compliance with the Tax Legislation. The Trustee shall not be liable for any losses incurred as a result of such disposition.

**a) Annuity.** The Annuitant may choose to create his retirement income from among the various types of annuities offered by the Trustee and so inform the Trustee in writing no later than 90 days prior to the Maturity Date (hereinafter the "Annuity"). Any retirement income payable shall not be assigned in whole or in part. The Annuitant is fully responsible for choosing a type of Annuity that complies with the provisions of the Tax Legislation, in particular:

- i) payments to the Annuitant under an Annuity must be made in equal annual or more frequent periodic amounts until such time as there is a payment in full or partial commutation of the retirement income and, where such Annuity is partial, equal annual or more frequent periodic payments thereafter;
- ii) the aggregate of the periodic payments in a year under an Annuity after the Annuitant's death shall not exceed the aggregate of the payments under the Annuity in a year before that death;
- iii) each Annuity must be commuted if it becomes payable to someone other than the Annuitant under this Plan.

**b) Election to Transfer to a Retirement Income Fund.**

Notwithstanding the foregoing, the Annuitant, in the Annuitant's sole discretion, may, by way of a written request to the Trustee not less than 90 days prior to the Maturity Date, request that the Assets in the Plan be transferred to a Registered Retirement Income Fund (RRIF) in compliance with the Tax Legislation.

**c) Default Transfer to RRIF.** Notwithstanding any provision to the contrary, if, on the first day of November of the year in which the Annuitant reaches the prescribed age applicable to the most distant Maturity Date set out in Section 4 hereof, the Annuitant fails to notify the Trustee in writing in accordance with Subsections 9 a) or 9 b) above, the Maturity Date shall then be deemed to be the first day of December of the same year. In such a case, the Trustee shall be deemed to have received instructions from the Annuitant to transfer the Assets in the Plan to a RRIF issued by the Trustee in the Annuitant's name in accordance with the Tax Legislation. In such case, the designated beneficiary of such fund shall be the person named as the designated beneficiary hereunder, if any.

**10. NO ADVANTAGE.** The Annuitant, or a person with whom the Annuitant does not deal at arm's length, within the meaning of Tax Legislation, may not receive any benefit, payment or advantage, other than the benefits authorized under this Plan and the Tax Legislation.

**11. DESIGNATION OF BENEFICIARY (not available for retirement savings plans in the Province of Quebec).** If permitted by applicable legislation, the Annuitant may designate one or more Beneficiaries to receive the proceeds payable under the provisions of the Plan; such designation may be made in the Application or another document, and it may be amended or revoked thereafter. The Trustee makes no representation and shall not be held liable in the case of total or partial invalidity or unenforceability of a designation of beneficiary signed by the Annuitant.

Any designation of beneficiary may only be made, amended or revoked in compliance with the applicable legislation by way of a written document or instrument, dated and signed by the Annuitant, the form and content of which shall be acceptable to the Trustee, and in particular shall specifically identify the Plan. Any designation, amendment or revocation of beneficiary shall come into force on the date it is received by the Trustee.

**12. DEATH OF ANNUITANT.** Should the Annuitant die prior to the Maturity Date and before the Assets in the Plan are commuted into an Annuity or rolled into a Registered Retirement Income Fund, upon receipt of evidence satisfactory to the Trustee thereof and subject to Tax Legislation, the Trustee shall dispose of the Assets in the Plan, and after deducting any applicable tax, costs of such disposition, fees or any other amounts payable hereunder, the Trustee shall pay in a lump sum the net proceeds of such disposition to the Plan's Beneficiaries or the Annuitant's estate.

Notwithstanding the foregoing, in cases permitted by Tax Legislation, the Trustee may transfer the Assets in the Plan to one or more persons entitled thereto.

No such payment or transfer shall be made unless and until the Trustee receives releases and/or other documents as it may reasonably require.

**13. SEPARATE ACCOUNT AND TAX INFORMATION.** The Trustee shall maintain a separate account for the Plan and shall furnish to the Annuitant annually or more frequently, a statement showing, for each period, the contributions paid to the Plan, the assets and, if applicable, the income realized by the Plan, the fees, taxes, penalties or any other amounts debited from the account since the last statement, the balance of the account as well as any other information deemed relevant by the Trustee in its sole discretion.

The Trustee shall annually provide the Annuitant or the Contributing Spouse, as applicable, with information returns regarding the contributions paid to the Plan in accordance with the Tax Legislation.



The Annuitant and the Contributing Spouse, as applicable, are responsible for ensuring that any deduction claimed for income tax purposes does not exceed the permitted deductions under the Tax Legislation.

Assets in the Plan held through a locked-in retirement account or other locked-in arrangements will be accounted for separately.

#### 14. PROVISIONS REGARDING THE TRUSTEE.

- a) Delegation of Powers.** The Trustee may delegate to its agents, including National Bank Financial (the "Agent"), any of its administrative duties or its powers to do specific things, and the delegate may receive all or part of the fees to which the Trustee is entitled hereunder, it being understood, however, that ultimate responsibility for administering the Plan shall remain vested in the Trustee.
- b) Withdrawal of Trustee.** The Trustee may withdraw as the administrator of the Plan upon 30 days' prior notice given to the Annuitant in the manner set out in Subsection 15 e) hereof and provided a replacement trustee has accepted the appointment and on condition such replacement is a body corporate resident in Canada duly authorized by the applicable laws to act in such capacity.
- c) Fees and Expenses.** The Trustee shall be paid the fees and other charges it prescribes from time to time, which may be directly charged against and deducted from the Assets in the Plan. The Trustee shall be entitled to charge fees upon the termination of the Plan, the transfer or withdrawal of Assets in the Plan or any other event which it may reasonably determine. These fees are disclosed to the Annuitant in accordance with the applicable legislation. The Trustee shall be reimbursed by the Annuitant for all fees, out-of-pocket expenses and costs incurred by it or its agents in connection with the administration of the Plan or the production of any tax statements or other documents required under the Tax Legislation.
- d) Reimbursement of Taxes.** The reimbursement of any and all taxes, interest or penalty payable may be directly charged against and deducted from the Assets in the Plan but only as far as permitted by the applicable legislation. The Trustee may then, without further notifying the Annuitant, dispose of Assets in the Plan, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment. The Trustee shall not be liable for any losses incurred as a result of such disposition.

The Annuitant shall reimburse the Trustee for any overdraft resulting from the payment of such fees, out-of-pocket expenses and costs within 30 days of the date the Annuitant is notified thereof. Should the Annuitant fail to make such reimbursement on time, the Trustee may, without further notifying the Annuitant, dispose of Assets in the Plan, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment of such fees, out-of-pocket expenses, costs and overdrafts. The Trustee shall not be liable for any losses incurred as a result of such disposition.

- e) Liability and Hold-Harmless.** The Annuitant or the Beneficiaries will at all times indemnify the Trustee and its nominees, agents and correspondents in respect of any and all taxes, interest, penalties, assessments, fees (including legal fees), claims and demands made by tax authorities or other third parties, or resulting from the custody or administration of the Plan or the holding of prohibited or non-qualified investments in the Plan, and will hold them harmless from all of the foregoing, except in the case of the gross negligence of the Trustee. Any such payment must be made within 30 days of the date the Annuitant or the Beneficiaries are notified thereof. Without limiting the scope of any other provision hereof, neither the Trustee nor any of its nominees, agents or correspondents shall be liable for any loss incurred by the Plan, by the Annuitant or by any Beneficiary, as a result of the acquisition, disposition or retention of any investment, whether or not acquired at the direction of the Annuitant, as a result of any payment or transfer out of the Plan as requested by the Annuitant, as a result of the refusal to follow instructions that the Trustee, in its sole discretion, views are contrary to any provision hereof or to any applicable legislation, as a result of force majeure or irresistible force. The Trustee may collect directly from the Assets in the Plan the total amount of any taxes, interest or penalties that may be imposed on the Trustee under the provisions of any Tax Legislation (including the acquisition, disposition or holding of "non-qualified investments" as defined under Tax Legislation).
- f) Instructions.** The Trustee shall be empowered to follow the instructions received from the Annuitant or any other person designated in writing by the Annuitant, whether transmitted in person, by mail, fax or any other electronic means.



## 15. VARIOUS PROVISIONS.

- a) **Amendments.** The Trustee may, from time to time, in its sole discretion, amend the terms of the Plan (i) to satisfy the requirement of any applicable law or (ii) by giving 30 days' notice in writing thereof to the Annuitant, provided, however, that any such amendments do not disqualify the Plan as a registered retirement savings plan within the meaning of Tax Legislation.
- b) **Evidence.** The recording of the date of birth of the Annuitant or of his Spouse on the Application shall constitute sufficient certification of such age, subject to any further evidence which may be required thereof. The Trustee reserves the right to require the Annuitant, the Contributing Spouse or any person claiming to be a Beneficiary, as the case may be, to provide, at the appropriate time and at their own expense, satisfactory proof of age, of the survival or death of the Annuitant or the Contributing Spouse and of their title or entitlement as a Beneficiary.
- c) **Binding.** The terms and conditions hereof will be binding upon the Annuitant's heirs and legal personal representatives and upon any successors and assigns of the Trustee. Notwithstanding the foregoing, if the Plan or the Assets in the Plan are transferred to a replacement trustee, then the terms of such replacement trustee's declaration of trust will govern thereafter.
- d) **Interpretation.** Wherever the context so requires, a word used in the masculine gender shall include the feminine or neuter and vice versa, and the singular number shall include the plural and vice versa.
- e) **Notices.** Any notice to the Trustee hereunder shall be validly given, if delivered or mailed postage prepaid to the Trustee at the address indicated in the Application, or to any other address that the Trustee may from time to time specify in writing, and it shall be effective only on the day that such notice was actually delivered to or received by the Trustee.

Any notice, statement or receipt given by the Trustee to the Annuitant, the Annuitant's Spouse or any person authorized to receive notice under the Plan, shall be validly given if mailed postage prepaid to the address recorded in the books of the Trustee with respect to the Plan, and any notice, statement or receipt so mailed shall be deemed to have been given on the day of mailing. Any written instruction, notice or information communicated to the Trustee will be considered valid only if it is in a form deemed satisfactory by the Trustee.

- f) **Declaration of Non-Residency.** The Annuitant must and undertakes to immediately notify the Trustee if he is or becomes a non-resident of Canada.
- g) **Applicable Legislation.** The Plan shall be governed and construed in accordance with the laws of the province in which the Annuitant resides, as shown in the Application, and with the Tax Legislation.

In Quebec, the Plan shall not in any way constitute a trust within the meaning of the *Civil Code of Quebec*. Given the particular nature hereof and the administrative rules created hereby, the rules of Title VII of Book IV of the *Civil Code of Quebec* relating to the administration of the property of third parties shall not apply to the Trustee.

## Retirement Income Fund (RIF) Declaration of Trust

We, Natcan Trust Company, a trust company incorporated under the laws of Canada, hereby declare that we will act as trustee for you, the annuitant named in the application for a National Bank Financial Retirement Income Fund (the "Fund") upon the following terms.

1. **DEFINITIONS.** For the purposes hereof, the words and expressions set out below shall have the following meanings:
  - a) **Agent:** National Bank Financial Inc., as designated in Subsection 12 a) hereof.
  - b) **Annuitant:** The person whose name is indicated as such in the Application and, after his death, the surviving Spouse as defined in Subsection 146.3(1) of the *Income Tax Act* (Canada) (such surviving Spouse being designated the "**Successor Annuitant**").
  - c) **Application:** The application for membership in the Fund, included in the account opening form, completed and signed by the Annuitant.
  - d) **Assets in the Fund:** All property of any nature whatsoever which makes up the Fund, including assets transferred to the Fund in accordance with the provisions of Section 4 hereof, as well as any income or gains of any type whatsoever, generated or realized during the administration of the Fund by the Trustee.
  - e) **Beneficiary:** The person who is or would be legally entitled to receive any Assets in the Fund or proceeds from the disposition of the Assets in the Fund in the case of the death of the Annuitant, pursuant to the applicable legislation, such as the Annuitant's surviving Spouse, estate, designated beneficiary or legal representative within the meaning of the *Income Tax Act* (Canada).
  - f) **Fund:** The National Bank Financial Retirement Income Fund established by the Trustee for the benefit of the Annuitant in accordance with the terms and conditions contained in the Application and herein, which may be amended from time to time.
  - g) **RRIF:** A registered retirement income fund, as defined in the Tax Act.
  - h) **RRSP:** A registered retirement savings plan, as defined in the Tax Act.
  - i) **Spouse:** A spouse or a common-law partner as defined in the *Income Tax Act* (Canada) respecting a RIF.
  - j) **Tax Act:** The *Income Tax Act* (Canada) and the regulations adopted thereunder.
  - k) **Tax Legislation:** The *Income Tax Act* (Canada) and corresponding legislation of the province in which the Annuitant resides specified in the Application, and the regulations adopted thereunder.
  - l) **Trustee:** Natcan Trust Company, a trust company duly incorporated under the *Trust and Loan Companies Act* (Canada).
2. **ESTABLISHMENT OF THE FUND.** By means of the transfer to the Trustee by the Annuitant of the assets specified in the Application, in accordance with Section 4 hereof, the Annuitant establishes with the Trustee a retirement income fund for his benefit, by which the Trustee covenants to pay each year to the Annuitant sums of money in accordance with this Declaration. All assets paid into the Fund, as well as any income, capital gains or other gains of any nature whatsoever, generated or realized by the Fund and held in the Fund by the Trustee, and invested pursuant to the provisions provided herein, are used to make payments to the Annuitant in accordance with this Declaration.
 

The Fund shall constitute a trust for the purposes of the Tax Legislation only, excluding any other purpose whatsoever. The Trustee, by accepting the Application, agrees to administer the Fund in accordance with the Tax Legislation and in the manner stipulated herein. Subject to registration of the Fund under the Tax Legislation, this Declaration of Trust shall take effect on the date of acceptance by the Trustee of the Application.
3. **REGISTRATION.** The Trustee shall apply for registration of the Fund pursuant to the Tax Legislation. In the course of such registration, the Trustee is hereby authorized to rely exclusively on the information provided by the Annuitant or his Spouse, as applicable, in the Application. If any of the tax authorities concerned refuses such registration, the Application and this Declaration shall be cancelled, and the sums or property transferred to the Fund by the Annuitant or the contributing spouse, if applicable, shall be reimbursed.

**4. ASSETS TRANSFERRED TO THE FUND.** Subject to the minimal consideration that it can set in its sole discretion, the Trustee may accept that the only assets that can be transferred to the Fund, as consideration, are assets that are transferred:

- i) from an RRSP of which the Annuitant is the beneficiary;
- ii) from another RRIF of which the Annuitant is the beneficiary;
- iii) from the Annuitant, to the extent that the consideration is an amount referred to in subparagraph 60(l)(v) of the Tax Act and, if applicable, any equivalent provisions in the Tax Legislation, and in particular of any amount paid as reimbursement of premiums pursuant to the death of a Spouse, originating with an RRSP of which the Spouse of the Annuitant was the beneficiary;
- iv) from an RRSP or a RRIF of which the Spouse or former Spouse of the Annuitant is the Beneficiary, in accordance with an order, or judgment of a court having jurisdiction or with a written separation agreement, relating to a division of property between the Annuitant and his Spouse or former Spouse in settlement of rights arising out of, or on the breakdown of, their marriage or common-law partnership;
- v) from a registered pension plan of which the Annuitant is a member (as defined in Subsection 147.1(1) of the Tax Act);
- vi) from a registered pension plan in accordance with Subsections 147.3(5) or (7) of the Tax Act;
- vii) from a specified pension plan in circumstances to which Subsection 146(21) of the Tax Act applies;
- viii) in accordance with the provisions of the Tax Legislation.

**5. INVESTMENTS.** The Assets in the Fund shall be invested in investments that qualify for the Fund within the meaning of the Tax Legislation ("**qualified investments**"), in accordance with instructions given by the Annuitant to the Trustee from time to time in a form deemed satisfactory by the Trustee. The Annuitant is responsible for ensuring that investments made in or transferred to the Fund are and remain qualified investments, and acknowledges that the Trustee shall incur no liability.

The Trustee shall not be held liable with regard to the investment of the Assets in the Fund, whether or not made pursuant to instructions given by the Annuitant.

Notwithstanding any provision herein, the Trustee may, at its sole discretion, refuse to accept a property transfer or to make any investment for any reason whatsoever, especially if the Trustee believes that the investment does not comply with its internal standards or policies. The Trustee may also require the Annuitant to provide specific supporting documents before making certain investments under the Fund.

The Annuitant may exercise the voting rights attached to units, shares or any other securities held in the Fund, as applicable. For this purpose, the Annuitant is hereby appointed the Trustee's agent and attorney to execute and deliver proxies and other instruments in accordance with applicable laws.

#### **6. RESTRICTIONS.**

- a) Assignment.** The Annuitant acknowledges that this Fund, as well as the rights and benefits arising therefrom, may not be assigned or otherwise transferred. In particular, no payment made under the Fund may be assigned, in full or in part.
- b) Security.** The Fund or the Assets in the Fund may not be given as security, by mortgage or otherwise, and may only be used to ensure the payment of retirement income.
- c) Payments.** Notwithstanding any provision to the contrary, the Trustee makes only the payments described in paragraphs 146.3(2)(d) and 146.3(2)(e), 146.3(14) and 146.3(14.1) and in the definition of "retirement income fund" in paragraph 146.3(1) of the Tax Act.
- d) Effects.** Any agreement which purports or attempts to contravene the restrictions contained in this Section 6 shall be null and void.

**7. PAYMENTS.** In accordance with the Tax Legislation, the Trustee shall pay the Annuitant or Successor Annuitant according to what is specified in Section 9 hereof. Each year and no later than in the year immediately following the year in which the Application was accepted by the Trustee, the Trustee shall make payments from the Fund for the benefit of the Annuitant. However, subject to any provision contrary to Section 9 hereof and unless the Trustee is otherwise authorized under the Tax Legislation, these payments may only be made in accordance with the following conditions and the Tax Legislation:

**a) Annual Payments.** The total payments to the Annuitant out of the Fund for each year shall correspond to the amount selected by the Annuitant on the Application (such amount being no lower than the minimum amount and no higher than the maximum amount). The Annuitant may change the amount of the payment selected, upon written notice to the Custodian in a form deemed satisfactory by the Custodian, no later than January 1 of the year in which the change is to come into effect. The new payment amount is in effect until another notice of amendment is duly given to the Trustee. If the amount that the Annuitant has chosen is less than the minimum amount, the Trustee shall nevertheless pay the minimum amount required by the Tax Legislation. If the amount that the Annuitant has chosen is greater than the maximum amount, the Trustee shall nevertheless pay the maximum amount authorized by the Tax Legislation.

The amount selected by the Annuitant shall then be amended to correspond to the minimum amount or maximum amount, as applicable, with respect to such year.

**b) Minimum Amount.** In the year of the establishment of the Fund the "minimum amount" that is required to be withdrawn from the Fund is nil. For any other year, the "minimum amount" shall be calculated in accordance with the Tax Legislation.

The Annuitant may elect to base the minimum amount on his age or his Spouse's age. The Annuitant may not make or change any such election after the first payment has been made under the Fund.

**c) Maximum Amount.** The "maximum amount" that can be paid out of the Fund corresponds to the value of the Fund immediately before the payment date. In the case of a locked-in fund, the maximum amount specifically provided under the applicable laws may be lower.

**d) Frequency.** The frequency of the payments shall correspond to the frequency selected by the Annuitant on the Application (which must be at least one payment per calendar year or no more than one payment per calendar month), which the Annuitant may change from time to time upon written notice to the Trustee in a form deemed satisfactory by the Trustee.

**e) Payment.** The Annuitant is fully responsible for ensuring that there is sufficient cash in the Fund to make the payments in accordance with this Section 7. Nevertheless, if the Trustee does not consider that the money available in the Fund is sufficient for the payments specified in this Section 7, it can dispose of the investments that it has chosen, in its sole discretion, unless the Annuitant gives it instructions no later than 30 days before the payment date with respect to the specific investment that he wishes to sell to obtain the necessary funds to make the payments. The Trustee shall not be liable for any losses incurred by the Fund as a result of such disposition.

**f) Receipt of Payments.** The payments to the Annuitant are deemed to have been made by direct money transfer to the account indicated in the Application or by the mailing of a cheque payable to the Annuitant at the address indicated on the Application or to any other address or account that may be indicated to the Trustee in writing.

**g) Deduction.** The Trustee may deduct from payments any amount in respect of tax, interest, penalties, fees and expenses that are payable hereunder, under the Tax Legislation or other applicable laws.

**h) No Advantage.** The Annuitant, or a person with whom the Annuitant does not deal at arm's length, within the meaning of the Tax Legislation, may not receive any benefit, payment or advantage, other than the benefits authorized under this Fund and the Tax Legislation.

**8. DESIGNATION OF BENEFICIARY (not available for RIFs in the Province of Quebec).** If permitted by applicable legislation, the Annuitant may designate one or more Beneficiaries to receive the proceeds payable under the provisions of the Fund; such designation may be made in the Application or another document, and it may be amended or revoked thereafter.

Any designation of beneficiary may only be made, amended or revoked in compliance with the applicable legislation by way of a written document or instrument, dated and signed by the Annuitant, the form and content of which shall be acceptable to the Trustee, and in particular shall specifically identify the Fund. Any designation, amendment or revocation of beneficiary shall come into force on the date it is received by the Trustee.

## 9. DEATH OF ANNUITANT.

- a) Successor Annuitant.** The Annuitant may elect in accordance with the Tax Act that, upon his death, the Successor Annuitant become the new annuitant of the Fund and continue to receive the further payments provided for herein.

Upon the death of the Successor Annuitant, the payments specified herein shall cease as soon as the Trustee receives notice of the Successor Annuitant's death.

When the Trustee receives proof that it deems satisfactory concerning the Beneficiary's entitlement, the Trustee shall dispose of the assets in the Fund and, subject to the Tax Legislation and after deducting all applicable taxes, disposition costs, fees or any other amounts payable hereunder, the Trustee shall pay in a lump sum the net proceeds of this disposition to the Beneficiary.

Notwithstanding the foregoing, in cases permitted by the Tax Legislation, the Trustee may transfer the Assets in the Fund to one or more persons entitled thereto.

No such payment or transfer shall be made unless and until the Trustee receives releases and/or other documents as it may reasonably require.

- b) Beneficiary of a Lump Sum.** If, upon the death of the Annuitant, a Successor Annuitant has not been designated, the payments specified herein shall cease as soon as the Trustee receives notice of the Annuitant's death. When the Trustee receives proof that it deems satisfactory concerning the Beneficiary's entitlement, the Trustee shall dispose of the assets in the Fund and, subject to the Tax Legislation and after deducting all applicable taxes, disposition costs, fees or any other amounts payable hereunder, the Trustee shall pay in a lump sum the net proceeds of this disposition to the Beneficiary. No such payment or transfer shall be made unless and until the Trustee receives releases and/or other documents as it may reasonably require.

- 10. SEPARATE ACCOUNT AND TAX INFORMATION.** The Trustee shall maintain a separate account for the Fund and shall furnish to the Annuitant annually or more frequently, a statement showing, for each period, the payments made to the Annuitant, the assets in the Fund, the value of the Fund, the income earned by the Fund, the fees debited from the account since the last statement, the balance of the account, as well as any other information deemed relevant by the Trustee in its sole discretion.

The Trustee shall annually provide the Annuitant with information returns regarding the payments out of the Fund to the Annuitant in accordance with the Tax Legislation.

The Annuitant is solely responsible for ensuring that any deduction claimed for income tax purposes does not exceed the permitted deductions under the Tax Legislation.

The Assets in the Fund held through a life income fund, a locked-in retirement income fund or other locked-in arrangements shall be accounted for separately.

- 11. TRANSFER OF ASSETS.** Upon receipt of instructions from the Annuitant in a form deemed satisfactory by the Trustee, the Trustee shall transfer, in the manner prescribed by the Tax Legislation, all or part of the Assets in the Fund or an amount equivalent to the value of such assets at that time, as well as all information necessary for the continuance of the Fund, to any person legally authorized to become an issuer under another RRIF of which the Annuitant may be the beneficiary, after deducting all amounts to be retained in application of paragraphs 146.3(2)(e.1) or 146.3(2)(e.2) of the Tax Act, as applicable, as well as any fees and disbursements to which the Trustee is entitled.

Under a written separation agreement or according to an order or a judgment of a court having jurisdiction relating to a division of property, in the event of the breakdown of the Annuitant's marriage or common-law partnership, the Annuitant may request the transfer of assets from the Fund to a RRIF or to an RRSP of which his Spouse or former Spouse is the annuitant.

Such transfers shall take effect in accordance with applicable laws and within a reasonable timeframe after all forms required to be completed in respect of such a transfer have been completed and forwarded to the Trustee. Upon such transfer, the Trustee shall be subject to no further liability or duty to the Annuitant with respect to the Assets in the Fund, or the portion thereof, so transferred, as the case may be. However, it is understood that the Trustee is never bound to cash in an investment before its expiry date, before being able to complete its transfer.

## 12. PROVISIONS REGARDING THE TRUSTEE.

- a) Delegation of Powers.** The Trustee may delegate to its agents, including National Bank Financial (the "Agent"), any of its administrative duties or its powers to do specific things, and the delegate may receive all or part of the fees to which the Trustee is entitled hereunder, it being understood, however, that ultimate responsibility for administering the Fund shall remain vested in the Trustee.
- b) Withdrawal of Trustee.** The Trustee may withdraw as the administrator of the Fund upon 30 days' prior notice given to the Annuitant in the manner set out in Subsection 13 e) hereof and provided a replacement trustee has accepted the appointment and on condition such replacement is a body corporate resident in Canada duly authorized by the applicable laws to act in such capacity.
- c) Fees and Expenses.** The Trustee shall be paid the fees and other charges it prescribes from time to time, which may be directly charged against and deducted from the Assets in the Fund. The Trustee shall be entitled to charge fees upon the termination of the Fund, the transfer or withdrawal of Assets in the Fund or any other event which it may reasonably determine. These fees are disclosed to the Annuitant in accordance with the applicable laws. The Trustee shall be reimbursed by the Annuitant for all fees, out-of-pocket expenses and costs incurred by it or its agents in connection with the administration of the Fund or the production of any tax statements or other documents required under the Tax Legislation.
- d) Reimbursement of Taxes.** The reimbursement of any and all taxes, interest or penalties payable may be directly charged against and deducted from the Assets in the Fund but only as far as permitted by the applicable legislation.

The Trustee may then, without further notifying the Annuitant, dispose of Assets in the Fund, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment. The Trustee shall not be liable for any losses incurred as a result of such disposition.

The Annuitant shall reimburse the Trustee for any overdraft resulting from the payment of such fees, out-of-pocket expenses and costs within 30 days of the date the Annuitant is notified thereof. Should the Annuitant fail to make such reimbursement on time, the Trustee may, without further notifying the Annuitant, dispose of Assets in the Fund, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment of such fees, out-of-pocket expenses, costs and overdrafts. The Trustee shall not be liable for any losses incurred as a result of such disposition.

- e) Liability and Hold-Harmless.** The Annuitant or the Beneficiaries shall at all times indemnify the Trustee and its nominees, agents and correspondents in respect of any and all taxes, interest, penalties, assessments, fees and out-of-pocket expenses, and all claims and demands made by tax authorities or other third parties, or resulting from the custody or administration of the Fund or the holding of prohibited or non-qualified investments in the Fund, and shall hold them harmless from all of the foregoing, except in the case of the gross negligence of the Trustee. Any such payment must be made within 30 days of the date the Annuitant or the Beneficiaries are notified thereof.

Without limiting the scope of any other provision hereof, neither the Trustee nor any of its nominees, agents or correspondents shall be liable for any loss incurred by the Fund, by the Annuitant or by any Beneficiary, as a result of the acquisition, disposition or retention of any investment, whether or not acquired at the direction of the Annuitant, resulting from any withdrawal or transfer out of the Fund requested by the Annuitant, as a result of the refusal to follow instructions that the Trustee, in its sole discretion, views are contrary to any provision of the applicable legislation, as a result of force majeure or irresistible force.

- f) Instructions.** The Trustee shall be empowered to follow the instructions received from the Annuitant or any other person designated in writing by the Annuitant, whether transmitted in person, by telephone, by mail, fax or any other electronic means.

### 13. VARIOUS PROVISIONS.

- a) Amendments.** The Trustee may, from time to time, in its sole discretion, amend the terms hereof (i) to satisfy the requirement of any applicable law, or (ii) by giving 30 days' notice in writing thereof to the Annuitant, provided, however, that any such amendments do not disqualify the Fund as a RRIF within the meaning of the Tax Legislation.
- b) Evidence.** The recording of the date of birth of the Annuitant or of his Spouse on the Application shall constitute sufficient certification of such age, subject to any further evidence which may be required thereof. The Trustee reserves the right to require the Annuitant, the Successor Annuitant or any person claiming to be a Beneficiary, as the case may be, to provide, at the appropriate time and at their own expense, satisfactory proof of age, of the survival or death of the Annuitant or the Successor Annuitant and of their title or entitlement as a Beneficiary.
- c) Binding.** The terms and conditions hereof shall be binding upon the Annuitant's heirs and legal personal representatives, and upon any successors and assigns of the Trustee. Notwithstanding the foregoing, if the Fund or the Assets in the Fund are transferred to a replacement trustee, then the terms of such replacement trustee's declaration of trust shall govern thereafter.
- d) Interpretation.** Wherever the context so requires, a word used in the masculine gender shall include the feminine or neuter and vice versa, and the singular number shall include the plural and vice versa.

- e) Notices.** Any notice to the Trustee hereunder shall be validly given, if delivered or mailed postage prepaid to the Trustee at the Agent's address indicated in the Application, or to any other address that the Trustee may from time to time specify in writing, and it shall be effective only on the day that such notice was actually delivered to or received by the Trustee.

Any notice, statement or receipt given by the Trustee to the Annuitant, the Annuitant's Spouse or any person authorized to receive notice under the Fund, shall be validly given if mailed postage prepaid to the address recorded in the books of the Trustee with respect to the Fund, and any notice, statement or receipt so mailed shall be deemed to have been given on the day of mailing. Any written instruction, notice or information communicated to the Trustee shall be considered valid only if it is in a form deemed satisfactory by the Trustee.

- f) Declaration of Non-Residency.** The Annuitant must and undertakes to immediately notify the Trustee if he is or becomes a non-resident of Canada.
- g) Applicable Legislation.** The Fund shall be governed and construed in accordance with the laws of the province in which the Annuitant resides, as shown in the Application, and with the Tax Legislation.

In Quebec, the Fund shall not in any way constitute a trust within the meaning of the *Civil Code of Quebec*. Given the particular nature hereof and the administrative rules created hereby, the rules of Title VII of Book IV of the *Civil Code of Quebec* relating to the administration of the property of third parties shall not apply to the Trustee.



## Tax-Free Savings account (TFSA) Declaration of Trust

### 1. DEFINITIONS.

For the purposes hereof, the words or terms set out herein below shall have the following meanings:

- a) Assets in the Account:** means all property of any nature whatsoever which makes up the Account, including the contributions made to the Account from time to time, as well as any income, capital gains or other gains of any nature whatsoever, generated or realized during the administration of the Account by the Trustee.
- b) Agent:** means National Bank Financial Inc. has been designated as such in the Application.
- c) Beneficiary:** means the person who is or would be legally entitled to receive any Assets in the Account or proceeds from disposition of the Assets in the Account in the case of the death of the Holder, pursuant to the applicable legislation, such as the Holder's Survivor, his estate, his designated beneficiary, or a legal representative within the meaning of the *Income Tax Act (Canada)*.
- d) Account:** means the tax-free savings account established by the Trustee for the benefit of the Holder in accordance with the terms and conditions contained in the Application and herein, as such Account may be amended from time to time.
- e) Application:** means the application form to open the Account, completed and signed by the Holder attached herein.
- f) Distribution:** means any payment to the Holder made out of or under the Account in satisfaction of all or part of the Holder's interest in the Account.
- g) Trustee:** means Natcan Trust Company, a trust company duly incorporated under the *Trust and Loan Companies Act (Canada)*.
- h) Tax Legislation:** means the *Income Tax Act (Canada)* and the corresponding legislation of the province in which the Holder resides, and the regulations adopted thereunder.
- i) Survivor:** means the individual who is, immediately before the Holder's death, the spouse or common-law partner of the Holder as defined for the purposes of any provision of the *Income Tax Act (Canada)* respecting a tax-free savings account.
- j) Holder:** means the individual (other than a trust) who is at least 18 years of age and whose name is indicated as such in the Application, and after his or her death, the Survivor, as provided under the definition of the term "holder" under subsection 146.2 (1) of the *Income Tax Act (Canada)*.

- 2. ESTABLISHMENT OF ACCOUNT.** By means of the payment of a contribution or the transfer of a sum of money or any other property specified in the Application, the Holder establishes with the Trustee a tax-free savings account. All contributions made to the Account, as well as any income, capital gains or other gains of any nature whatsoever, generated or realized by the Account, and held in the Account by the Trustee, and used, invested or otherwise applied pursuant to the terms and conditions provided herein, shall be used for the purpose of making distributions to the Holder. The Account shall constitute a trust for the purposes of Tax Legislation only, excluding any other purpose whatsoever. The Trustee, by inscribing its acceptance upon the Application, agrees to administer the Account in the manner stipulated herein. Subject to registration of the Account under the Tax Legislation, this declaration of trust shall take effect on the date of acceptance by the Trustee of the Application.
- 3. REGISTRATION.** The Trustee shall file an election to register the Application as a tax-free savings account pursuant to the Tax Legislation. If any of the authorities concerned refuses such registration, the Application and this declaration of trust shall be cancelled, and the sums or property transferred to the Account shall be reimbursed by cheque, transfer or any other method of payment provided by the Trustee for that purpose.
- 4. CONTRIBUTIONS.** The Holder may make contributions to the Account at any time. The Holder shall be solely responsible for ensuring that such contributions are within the limits prescribed by the Tax Legislation and the Trustee makes no verification in this respect. Notwithstanding the foregoing, the Trustee can, without being held to it, refuse a contribution of the Holder for any motive and at any time.
- 5. INVESTMENTS.** The Assets in the Account shall be invested in investments which are available for investment by the Account in accordance with instructions given by the Holder to the Trustee from time to time in a form deemed satisfactory by the Trustee. The investments shall be made in compliance with the Tax Legislation. The Holder is responsible to ensure that each investment made by the Account is a "qualified investment" for the Account within the meaning of the Tax Legislation. The Trustee shall exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that a trust governed by the Plan holds a non-qualified investment. From time to time, the Trustee may authorize additional investments available for investment by the Account notwithstanding that such investments may not be authorized by law for trustees or may be considered a delegation of the Trustee's investment duties.

The Holder will not hold the Trustee liable with regard to the investment of the Assets of the Account, whether or not made pursuant to instructions given by the Holder.

**6. CONDITIONS AND RESTRICTIONS.**

- a) The Account shall be maintained for the exclusive benefit of the Holder, and while there is a holder of the Account, no one other than the Holder and the Trustee shall have any rights relating to the amount and timing of distributions and the investing of funds. This provision shall not apply where such application would be inconsistent with the security contemplated in Section 9.
- b) No one other than the Holder may make contributions to the Account.
- c) The Trustee shall not be permitted to borrow money or other property for the purposes of the Account.

**7. DISTRIBUTIONS.** Subject to such reasonable requirements as the Trustee may impose, the Holder may withdraw an amount from the Account by making a request in a form deemed satisfactory by the Trustee. Without limiting the generality of the foregoing, distributions may be made, among other things, to reduce the amount of tax otherwise payable by the Holder under section 207.02 or 207.03 of the *Income Tax Act* (Canada). The Trustee shall then dispose of all or certain of the Assets as indicated by the Holder and pay to the Holder an amount equal to the proceeds of disposition of such assets (net of applicable disposition costs), less any charges and taxes (including interest and penalties) that are or may become payable by the Trustee or the Account itself.

Upon such payment, the Trustee shall be subject to no further liability or duty to the Holder with respect to the Assets in the Account, or the portion thereof that has been distributed and paid. The Trustee will issue to the Holder such information returns in respect of any withdrawal as required by applicable laws.

If only a portion of the Assets in the Account is disposed of in accordance with the foregoing paragraph, the Holder may specify in his or her notice which assets he or she wishes the Trustee to dispose of, failing which the Trustee shall dispose of such assets as the Trustee, in its sole discretion, may deem appropriate for this purpose. The Trustee shall not be liable for any losses incurred as a result of such disposition.

**8. TRANSFERS TO OTHER ACCOUNTS.** Subject to such reasonable requirements as the Trustee may impose, the Holder may at any time request, in a form deemed satisfactory by the Trustee, that the Trustee transfers to another tax-free savings account of which he or she is the Holder:

- a) all or a portion of the Assets in the Account less any charges and taxes (including interest and penalties) that are or may become payable by the Trustee or the Account itself,

- b) an amount equal to the proceeds of disposition of all or portion of the Assets in the Account (net of applicable disposition costs), less any charges and taxes (including interest and penalties) that are or may become payable by the Trustee or the Account itself.

Subject to the Tax Legislation, a transfer may also be made to a tax-free savings account whose holder is the spouse or former spouse or the common-law partner or former common-law partner of the Holder in settlement of rights arising out of, or on the breakdown of, the marriage or common-law partnership.

The Trustee shall carry out all transfer requests, except in the event of inconsistency with the security contemplated in Section 9. Such transfers shall take effect in accordance with applicable laws and within a reasonable time after all forms required to be completed in respect of such transfer have been completed and forwarded to the Trustee. Upon such transfer, the Trustee shall be subject to no further liability or duty to the Holder with respect to the Assets in the Account, or the portion thereof, so transferred, as the case may be.

If only a portion of the Assets in the Account is transferred in accordance with the foregoing paragraph, the Holder may specify in his or her notice which assets he or she wishes to transfer or which assets he or she wishes to dispose of in order to effect such transfer, failing which the Trustee shall transfer or dispose of such properties as it, in its sole discretion, may deem appropriate for this purpose. The Trustee shall not be liable for any losses incurred as a result of such disposition or transfer.

**9. SECURITY.** The Holder of the Account may use his or her interest or right in the Account as security for a loan or other indebtedness if the following conditions are met:

- a) The terms and conditions of the indebtedness are terms and conditions that persons dealing at arm's length with each other would have entered into; and
- b) It can reasonably be considered that one of the main purposes of that use is not to enable a person (other than the Holder) or partnership to benefit from the exemption from tax available under Part I of the *Income Tax Act* (Canada) of any amount in respect of the Account.

The security can be established, published and revoked only in accordance with the applicable laws and by means of a written document or instrument dated and signed by the Holder. The form and content of the security shall be acceptable to the Trustee and shall identify the Account specifically. The Trustee makes no representation and cannot be held responsible in the event of a total or partial invalidity, non-perfection or unenforceability of a security signed by the Holder with respect to the Account.

**10. DESIGNATION OF SURVIVOR HOLDER OR OF BENEFICIARY (only in provinces where permitted by law).**

If permitted by applicable legislation, the Holder may designate the Survivor as the new Holder of the Account after his or her death. To be designated as such, the survivor must acquire all of the Holder's rights in the Account, including the unconditional right to revoke any beneficiary designation.

If permitted by applicable legislation, the Holder may designate one or more beneficiaries to receive the proceeds payable under the provisions of the Account.

Any designation of a Survivor Holder or a beneficiary may be made, amended or revoked only in compliance with the applicable legislation by way of a written document or instrument, dated and signed by the Holder, the form and content of which shall be acceptable to the Trustee, and in particular shall specifically identify the Account.

Any designation, amendment and/or revocation, shall come into force on the date it is received by the Trustee. If more than one designation is received by the Trustee, the Trustee shall consider only the designation, duly signed by the Holder which has the most recent date.

In certain provinces and territories this designation may not be revoked or changed automatically as a result of a future marriage or a marriage breakdown and a new designation may be required. It is the Holder's sole responsibility to get appropriate information regarding this matter and to make the appropriate amendments, as needed.

The Trustee makes no representation and cannot be held responsible for the invalidity of any designation of a Survivor Holder or designation of beneficiary signed by the Holder with respect to the Account.

**11. DEATH OF HOLDER.** Upon the Holder's death, upon receipt of evidence satisfactory to the Trustee of such death and subject to the Tax Legislation, the Trustee shall dispose of the Assets in the Account, and after deducting any applicable tax, costs of such disposition, fees or any other amounts payable hereunder, the Trustee shall pay in a lump sum the net proceeds of such disposition to the Holder's estate.

Notwithstanding the foregoing, in cases permitted by the Tax Legislation, the Trustee may transfer the Assets in the Account to one or more persons entitled thereto.

No such payment or transfer shall be made unless and until the Trustee receives releases and other documents as it may reasonably require.

**12. SEPARATE ACCOUNT AND TAX INFORMATION.** The Trustee shall maintain a separate account for the Account and shall furnish to the Holder annually or more frequently, a statement showing the information deemed relevant by the Trustee in its sole discretion.

The Trustee shall provide the Holder and the competent authorities, as the case may be, with information returns, notices and other documents in accordance with the Tax Legislation.

**13. PROVISIONS REGARDING THE TRUSTEE.**

**a) Delegation of Powers.** The Trustee may delegate to its agents any of its administrative duties or its powers to do specific things, and the delegate may receive all or part of the fees to which the Trustee is entitled hereunder, it being understood, however, that ultimate responsibility for administering the Account shall remain vested in the Trustee.

**b) Withdrawal of Trustee.** The Trustee may withdraw as the administrator of the Account upon 90 days' prior notice given to the Holder in the manner set out in Section 14 g) hereof and provided a replacement trustee has accepted the appointment and on condition such replacement is a body corporate resident in Canada duly authorized by the applicable laws to act in such capacity.

**c) Fees and Expenses.** The Trustee shall be paid the fees and other charges it prescribes from time to time, which may be directly charged against and deducted from the Assets in the Account. The Trustee shall be entitled to charge fees upon the termination of the Account, the transfer or withdrawal of Assets in the Account or any other event which it may reasonably determine. These fees are disclosed to the Holder in accordance with the applicable laws.

The Trustee shall be reimbursed by the Holder for all fees, out-of-pocket expenses and costs incurred by it or its agents in connection with the administration of the Account or the production of any tax statements or other documents required under the Tax Legislation.

The reimbursement of any and all taxes, interest or penalties payable may be directly charged against and deducted from the Assets in the Account but only as far as permitted by the applicable legislation. The Trustee may then, without further notifying the Holder, dispose of Assets in the Account, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment. The Trustee shall not be liable for any losses incurred as a result of such disposition.

The Holder shall reimburse the Trustee for any overdraft resulting from the payment of such fees, out-of-pocket expenses and costs within 30 days of the date the Holder is notified thereof. Should the Holder fail to make such reimbursement on time, the Trustee may, without further notifying the Holder, dispose of Assets in the Account, in whole or in part, on such conditions as it may determine and apply the proceeds of such disposition to the payment of such fees, out-of-pocket expenses, costs and overdrafts. The Trustee shall not be liable for any losses incurred as a result of such disposition.

- d) Liability and Hold Harmless.** The Holder will at all times indemnify the Trustee and its nominees, agents and correspondents in respect of all taxes, interest, penalties, assessments, expenses, liability, claims and demands resulting from the custody or administration of the Account and will hold them harmless from all of the foregoing, except in the case of the gross negligence or willful omission or misconduct of the Trustee. All such payment must be made within 30 days from the date the Holder is thereby notified.

Without limiting the scope of any other provision hereof, neither the Trustee nor any of its nominees, agents or correspondents shall be liable for any loss incurred by the Account or by the Holder, as a result of the acquisition, disposition or retention of any investment acquired at the direction of the Holder, as a result of any payment out of the Account as requested by the Holder, as a result of the refusal to follow instructions that the Trustee, in its sole discretion, considers contrary to any provision hereto or to any applicable legislation, as a result of force majeure or irresistible force.

- e) Instructions.** The Trustee shall be empowered to follow the written instructions received from the Holder or any other person designated in writing by the Holder, whether transmitted by mail, facsimile machine or other electronic means.

#### 14. MISCELLANEOUS PROVISIONS.

- a) Amendments.** The Trustee may from time to time, in its sole discretion, amend the terms of the Account (i) to satisfy the requirement of any applicable law, or (ii) by giving 30 days' notice in writing thereof to the Holder, provided, however, that any such amendments shall not disqualify the Account as a tax-free savings account within the meaning of the Tax Legislation.

- b) Evidence.** The recording of the date of birth of the Holder on the Application shall constitute sufficient certification of such age, subject to any further evidence which may be required thereof.

The Trustee reserves the right to require the Holder or any person claiming to be a Beneficiary, as the case may be, to provide, at the appropriate time and at their own expense, satisfactory proof of age, of the survival or death of the Holder and of their title or entitlement as a Beneficiary.

- c) Cash.** All the sums of money payable hereunder shall be payable in money which is legal tender in Canada.
- d) Binding.** The terms and conditions hereof will be binding upon the Holder's heirs and legal personal representatives and upon any successors and assigns of the Trustee.
- e) Declaration of Non-Residence.** The Holder is required to and undertakes to notify the Trustee immediately if he or she is or becomes a non-resident of Canada.
- f) Interpretation.** Wherever the context so requires, a word used in the masculine gender shall include the feminine or neuter and vice versa, and the singular number shall include the plural and vice versa.
- g) Notices.** Any notice to the Trustee hereunder shall be validly given if delivered or mailed postage prepaid to the address of the Agent appearing on the Application or to any other address which the Trustee may from time to time specify in writing, and it shall be effective only on the day that such notice was actually delivered or received by the Trustee. Any notice, statement or receipt given by the Trustee to the Holder or any person authorized to receive notice under the Account shall be validly given if mailed postage prepaid to the address recorded in the books of the Trustee with respect to the Account, and any notice, statement or receipt so mailed shall be deemed to have been given five days after the day of mailing. Any written instruction, notice or information communicated to the Trustee will be considered valid only if it is in a form deemed satisfactory by the Trustee.

- h) Applicable Legislation.** The Account shall be governed and construed in accordance with the laws of the province in which the Holder resides, as shown in the Application, and with the Tax Legislation.

The Account shall not in any way constitute a trust within the meaning of the *Civil Code of Québec*. Given the special nature hereof and the administrative rules created hereby, the rules of Title VII of Book IV of the *Civil Code of Québec* relating to the administration of the property of others shall not apply to the Trustee.

## First Home Savings Account (FHSA) Declaration of Trust

- 1. DEFINITIONS.** For the purposes hereof, the terms set out below have the following meanings:
- a) Account:** the **qualifying arrangement** within the meaning of section 146.6 of the Tax Act entered into between the trustee and the holder in accordance with the terms set out in the Application and herein and which, when registered, will be a first home savings account ("FHSA") within the meaning of the Tax Act.
  - b) Agent:** National Bank Financial Inc., being designated as agent of the trustee under section 16a) hereof.
  - c) Application:** the account application form completed and signed by the holder.
  - d) Assets in the account:** all assets of any nature whatsoever which make up the account, including the contributions made to the account as well as the investment earnings generated or realized during the administration of the account by the trustee.
  - e) Beneficiary:** an individual (including an estate) or a qualified donee that has a right to receive a distribution from the account after the death of the holder.
  - f) Holder:** the qualifying individual (other than a trust) named on the Application and, on the individual's death, the individual's spouse, if the spouse is then alive and:
    - i) is designated as a successor holder of the account;
    - ii) is a qualifying individual; and
    - iii) the account balance has not been transferred to their registered retirement savings account ("RRSP") or their registered retirement income fund ("RRIF"), or distributed to them as a beneficiary, by the end of the year following the year of death
 (the latter being also referred to as the "**successor holder**" herein).
  - g) Qualifying individual:** an individual who, at a particular time
    - i) is a resident of Canada;
    - ii) is at least 18 years old; and
    - iii) did not, at any prior time in the calendar year or in the preceding four calendar years, inhabit as a principal place of residence a **qualifying home** within the meaning of subsection 146.6(1) of the Tax Act (in Canada or elsewhere) that was owned or co-owned by the individual or the individual's spouse at the particular time.
  - h) Spouse:** a spouse or common-law partner within the meaning of the Tax Act.
  - i) Survivor:** the individual who is, immediately before the qualifying individual's death, the spouse of the qualifying individual.
  - j) Tax Act:** the *Income Tax Act* (Canada) and, where appropriate, the regulations made under that Act.
  - k) trustee:** Natcan Trust Company, a trust company duly incorporated under the *Trust and Loan Companies Act* (Canada), also referred to as the issuer under the Tax Act.
- 2. PURPOSES OF THE ACCOUNT.** All contributions made to the account as well as any investment earnings generated or realized by the account and used and invested pursuant to the terms and conditions provided herein shall be used for the purpose of making distributions to the holder.
- The account shall constitute a trust for the purposes of the Tax Act only, and for no other purpose.
- The trustee, by accepting the Application, agrees to administer the account in accordance with the Tax Act and as set forth herein. Subject to registration of the account under the Tax Act, this declaration of trust shall take effect on the date of acceptance of the Application by the trustee.
- 3. REGISTRATION.** The trustee shall file an election to register the qualifying arrangement as an FHSA pursuant to the Tax Act. For this purpose, the trustee is entitled to rely on the information provided by the holder in the Application. If registration of the account is refused, the Application and this declaration of trust shall be cancelled, and the assets in the account shall be returned to the holder.
- 4. MAXIMUM PARTICIPATION PERIOD.** The maximum participation period for the account begins when the holder first enters into a qualifying arrangement and ends at the end of the year following the year in which the earliest of the following events occurs:
- a)** the 14<sup>th</sup> anniversary of the date the holder first enters into a qualifying arrangement;
  - b)** the holder reaches the age of 70 years; and
  - c)** the holder first makes a qualifying withdrawal (as defined below) from an FHSA.
- 5. WHEN THE ACCOUNT CEASES TO BE AN FHSA.** The account ceases to be an FHSA and must be closed at:
- a)** subject to paragraph b), the earliest of the following times:
    - i) the end of the maximum participation period of the last holder;
    - ii) the end of the year following the year of the death of the last holder;
    - iii) the time at which the account ceases to be a qualifying arrangement;
    - iv) the time at which the account is not administered in accordance with the conditions in subsection 146.6(2) of the Tax Act.
  - b)** a later time specified by the Minister in writing.



**6. CONTRIBUTIONS.** The holder may make contributions to the account until the account is closed. However, contributions made after a qualifying withdrawal (as defined below) are not tax-deductible and do not give rise to qualifying withdrawals.

The holder is solely responsible for ensuring that such contributions are within the limits prescribed by the Tax Act. The Trustee makes no verification in this regard.

**7. INVESTMENTS.** Assets in the account shall be invested in investments available under the account, in accordance with instructions given by the holder in a form satisfactory to the trustee. The holder is responsible for ensuring that investments made in or transferred to the account are and remain qualified investments within the meaning of the Tax Act. The trustee shall exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that a trust governed by the account holds a non-qualified investment.

Notwithstanding anything to the contrary herein, the trustee may, in its sole discretion, refuse to accept any transferred asset or make any investment, including if it is of the opinion that the investment does not comply with its standards and policies. The trustee may also require the holder to provide supporting documentation prior to making certain investments.

As applicable, the trustee may reinvest all distributions of net investment income in investments of the same type unless otherwise instructed by the holder. The trustee may also authorize additional investments even if, in doing so, it is considered to have delegated its investment powers.

As applicable, voting rights attached to units, shares or any other securities held in the account may be exercised by the holder. For this purpose, the holder is hereby appointed the trustee's agent and attorney to execute and deliver proxies and other instruments in accordance with applicable laws.

**8. CONDITIONS AND RESTRICTIONS.**

- a) The account shall be maintained for the exclusive benefit of the holder.
- b) While there is a holder of the account, no one other than the holder and the trustee shall have any rights relating to the amount and timing of distributions and the investing of funds in the account.
- c) No one other than the holder may make contributions to the account.
- d) The trust shall not be permitted to borrow money or other property for the purposes of the account.
- e) The holder agrees not to cause the account to be used for the carrying on of a business within the meaning of the *Income Tax Act* (Canada). The holder recognizes that frequent or large volume trading of securities (operations sometimes referred to as "day trading"), in particular, may constitute the carrying on of a business. Once it is established that the account is or possibly has been used to carry on a business, the holder agrees to hold sufficient assets in the account to pay any income taxes, penalties and interest. The holder agrees that the trustee may

then, at its discretion and subject to its other rights and remedies, freeze the account until a clearance certificate is obtained from the tax authorities.

- f) The arrangement meets prescribed conditions.

**9. DISTRIBUTIONS.** Subject to such requirements as the trustee may reasonably impose, the holder may withdraw assets from the account. Any withdrawal will be subject to withholding tax unless the withdrawal is a **qualifying withdrawal** within the meaning of the Tax Act.

A withdrawal is a qualifying withdrawal if the holder:

- a) is a resident of Canada on the date of the withdrawal and continues to be a resident of Canada until the earlier of the holder's death and the time at which the holder acquires the qualifying home;
- b) does not have an owner-occupied home within the meaning of paragraph 146.01(2)(a.1) of the Tax Act in the period that begins at the beginning of the fourth preceding calendar year that ended before the withdrawal and that ends on the 31<sup>st</sup> day before the withdrawal;
- c) entered into an agreement in writing before the date of the withdrawal for the acquisition or construction of the qualifying home before October 1 of the calendar year following the year of the withdrawal;
- d) has made a written request for payment in prescribed form stating the location of the qualifying home that they use as a principal place of residence or intend to use for that purpose not later than one year after its acquisition or construction; and
- e) did not acquire the qualifying home more than 30 days before the date of the withdrawal.

The holder may make one or more qualifying withdrawals of all or part of the assets in the account. Such withdrawals are limited to a single qualifying home for life and must be made no later than the 15<sup>th</sup> year after the first qualifying arrangement was entered into by the holder.

The holder may also withdraw assets in the account for the purpose of reducing the amount of tax otherwise payable by them under section 207.021 of the Tax Act. The trustee shall then dispose of all or a portion of the assets in the account and pay the holder an amount equal to the proceeds of disposition of such assets (net of any applicable disposition costs), less any payable charges and taxes (including interest and penalties) except as prohibited under the Tax Act.

**10. TRANSFERS TO OTHER ACCOUNTS OR PLANS.** Subject to the conditions set out in the Tax Act and such requirements as the trustee may reasonably impose, the holder may ask the trustee to transfer to another FHSA of which they are the holder:

- a) all or a portion of the assets in the account; or
- b) an amount equal to the proceeds of disposition of all or a portion of the assets in the account (net of any applicable disposition costs), less any payable charges and taxes (including interest and penalties) except as prohibited under the Tax Act.

A transfer may also be made to an RRSP or RRIF of which the holder is the annuitant, but only up to the amount calculated according to the formula in paragraph 146.6(7)(c) of the Tax Act. In addition, and subject to the conditions and limitations set out in the Tax Act, a transfer may be made to a FHSA of which the holder's spouse or former spouse is the holder or to an RRSP or RRIF of which that spouse or former spouse is the annuitant, in settlement of rights arising out of, or on a breakdown of, their marriage or common-law partnership.

- 11. TRANSFERS FROM AN RRSP.** The holder may transfer assets from an RRSP of which they are the holder to the account subject to the conditions prescribed by the Tax Act and such requirements as the trustee may reasonably impose.
- 12. WITHDRAWAL OR TRANSFER.** If only part of the assets in the account are withdrawn or transferred, the holder may specify in their request which assets they wish to dispose of or transfer. Otherwise, the trustee disposes of the assets or transfers them in its sole discretion. The trustee is not required to cash in or transfer an investment prior to maturity.
- 13. DESIGNATION OF SUCCESSOR HOLDER AND/OR BENEFICIARY (ONLY IN PROVINCES AND TERRITORIES WHERE PERMITTED BY LAW).** If permitted by the applicable laws, the holder may designate their spouse as the successor holder of the account after their death in accordance with the Tax Act.

If permitted by applicable laws, the holder may also designate one or more beneficiaries to receive the proceeds of the account.

A designation may only be made, changed or revoked in compliance with the applicable laws by way of a written document or instrument, dated and signed by the holder, the form and content of which shall be acceptable to the trustee, and shall specifically identify the account.

Any designation or any change or revocation of a designation, validly made, shall take effect on the date it is received by the trustee. If more than one designation is received, the trustee shall consider only the designation duly signed by the holder with the most recent date.

In some provinces and territories, a designation may not be automatically revoked or changed by a marriage, new union, divorce or relationship breakdown and a new designation may be required. It is the holder's sole responsibility to get appropriate information regarding this and to make any necessary changes, as needed.

The trustee makes no representations and is not liable, including in the event of the invalidity or unenforceability, in whole or in part, of any designation or any change or revocation thereof by the holder.

- 14. DEATH OF HOLDER.** Subject to the following and applicable laws, the trustee shall dispose of the assets in the account upon receipt of satisfactory evidence of the death of the holder. After deducting applicable taxes, costs of disposition, fees and other amounts payable, the trustee shall pay the net proceeds of disposition to the beneficiaries in a lump sum.

Notwithstanding the foregoing, the trustee may instead, in the cases and on the terms set out in the Tax Act, transfer the assets to a person or persons entitled to them, such as a successor holder.

No transfer of assets or payment shall be made until the trustee has received such releases and other documents it may reasonably require.

- 15. SEPARATE ACCOUNT AND STATEMENTS.** The trustee shall maintain a separate account for the account and shall deliver to the holder annually or more frequently a statement containing such information as the trustee considers relevant. The trustee shall deliver such information returns, notices and other documents as are required by the Tax Act to the holder and, if applicable, to the appropriate authorities.

**16. PROVISIONS RELATING TO THE TRUSTEE.**

**a) Delegation of powers.** The trustee may delegate any of its powers or duties to agents. In such an event, the agents may receive all or part of the fees to which the trustee is entitled hereunder. Notwithstanding any such delegation, the ultimate responsibility for the administration of the account remains with the trustee.

**b) Resignation of trustee.** The trustee may resign upon not less than 30 days' prior notice to the holder in the manner set forth in subsection 17f) provided a successor issuer has agreed to act in its stead. Such issuer must be a corporation resident in Canada and duly authorized by the applicable laws to act in such capacity.

**c) Fees and expenses.** The trustee is entitled to receive such fees and other charges as it may prescribe from time to time, which may be charged directly to and deducted from the assets in the account. These fees and charges may be charged upon the termination of the account, the transfer or withdrawal of assets from the account or in any other situation as the trustee may reasonably determine. Such fees and expenses shall be disclosed to the holder in accordance with the applicable laws.

Similarly, the trustee is entitled to be reimbursed for all fees, costs and expenses incurred by it or its agents in connection with the administration of the account or the filing of any document required under the Tax Act. The holder shall reimburse the trustee for any overdraft resulting from the payment of such fees, costs and expenses within 30 days of the date the holder is notified thereof. Should the holder fail to make such timely repayment, the trustee may, but shall not be obligated to, dispose of the assets in the account without further notice to the holder and on such terms as the trustee shall determine and apply the proceeds of such disposition to the payment of the amounts owing.

The reimbursement of any taxes, interest or penalties payable in respect of the account may also, but only to the extent not prohibited by the Tax Act, be applied directly to, and deducted from, the assets in the account. The trustee may, but shall not be obligated to, dispose of the assets in



the account without further action and on such terms as it may determine and apply the proceeds of disposition to the payment of such taxes, interest or penalties.

The holder shall be accountable to the trustee for any fees, expenses and other amounts due in excess of the assets in the account.

**d) Liability and compensation.** At all times, the holder or their personal representatives or beneficiaries shall indemnify and hold harmless the trustee and the agent from and against all taxes, interest, penalties, assessments, fees (including legal and attorney fees), costs, expenses, claims and demands incurred, charged or made in connection with the account, to the extent not prohibited by the Tax Act.

The indemnity must be paid within 30 days of the claim made by the trustee or agent and may be paid out of the assets in the account.

Except as otherwise provided by applicable laws and herein, and without limiting the scope of other agreements and conditions with the holder, the trustee and the agent shall not be liable for any loss or damage suffered by the account, the holder, any beneficiary or any other person, resulting from, but not limited to:

- i) any loss in value of the assets in the account
- ii) any acquisition, holding, or disposition of an investment
- iii) any payment made from the account, liquidation or closure of the account, withdrawal, transfer or distribution of assets in the account (including any tax consequences of such transactions)
- iv) any excess contributions to the account
- v) any use of the account for any prohibited purpose, including the carrying on of a business within the meaning of the Tax Act, or any action taken by the trustee or agent in the event of such use
- vi) any performance or non-performance of instructions given to the trustee or the agent,

unless the loss or damage is caused by bad faith, willful misconduct, gross negligence or, in Québec, the gross or intentional fault of the trustee or the agent.

Notwithstanding the foregoing, in no event shall the trustee or the agent be liable for any special, indirect, punitive, incidental or consequential loss or damages whatsoever.

**e) Instructions.** The trustee is entitled to rely on any instructions it receives from or believes in good faith to be given by the holder or any other person designated by the holder, whether such instructions are given in person, by mail, by facsimile or by any other electronic means.

## 17. MISCELLANEOUS PROVISIONS.

**a) Modifications.** The trustee may from time to time, in its sole discretion, vary the terms of the account (i) to comply with any requirement of applicable law, or (ii) by giving 30 days'

prior written notice to the holder. However, such a change must not disqualify the account as an FHSA within the meaning of the Tax Act.

**b) Evidence.** The trustee reserves the right to require the holder or any person claiming to be a beneficiary to furnish, on a timely basis and at their expense, satisfactory evidence of their age or of any fact relevant to their interest or right in or to the account.

**c) Enforceability.** The terms hereof shall be binding upon the heirs, personal representatives and assigns of the holder and the successors and assigns of the trustee. Notwithstanding the foregoing, if the account or the assets in the account are transferred to a successor issuer, the terms of such issuer's declaration of trust or agreement will govern the account thereafter.

**d) Declaration of non-residency.** The holder undertakes to notify the trustee immediately if the holder is or becomes a non-resident of Canada.

**e) Interpretation.** For the purposes hereof, wherever the context requires, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa.

**f) Notices.** Any notice to the trustee hereunder shall be validly given if delivered or mailed to the address of the agent appearing on the Application or to such other address as the trustee may from time to time specify in writing. The notice shall become effective only on the day it is delivered to or received by the trustee. Any instruction, notice or information given in writing to the trustee will be considered valid only if it is in form satisfactory to the trustee.

Any notice, statement or receipt directed to the holder or any person entitled to receive notice under the account may be delivered electronically or by mail to the address as it appears on the registers of the trustee. The notice, statement or receipt is then deemed to have been given on the day of the electronic transmission or on the fifth day following the mailing. The holder expressly authorizes the trustee or the agent to notify them of any modification to this declaration of trust by a prior written notice, including a note on or included with their statement of account, and by posting the modified agreement on the trustee's or agent's website.

**g) Applicable laws.** The account shall be governed by, and construed in accordance with, the laws applicable in the province or territory of residence of the holder indicated on the Application or otherwise provided by the holder, including the Tax Act.

In Québec, the account does not constitute a trust within the meaning of the *Civil Code of Québec*. In view of the special nature of this account, the rules of Title VII of Book IV of the *Civil Code of Québec* relating to the administration of the property of others do not apply to the trustee.

## Additional Terms and Conditions for USD Registered Accounts

These supplementary terms and conditions are in addition to those already included in the Declaration of Trust for your plan, as well as to those in the different agreements applicable to your other accounts opened with National Bank Financial (NBF).

### 1. Contribution in cash or in kind

For the purpose of issuing contribution receipts, the value of any USD securities contributions to a USD registered account is determined based on the market value of those USD securities converted to CAD.

For the purpose of issuing contribution receipts, the value of any USD contribution made to a USD registered account will be converted to CAD. The conversion rate used is the rate in effect on the day the contribution was made.

Amounts in any currencies other than USD which are being transferred or credited to a USD registered account will be converted into USD. This includes dividends, interest and proceeds of the sale of securities, among others.

### 2. Currency conversion

Foreign currencies, where applicable, are converted on the transaction date, using the rates established or determined by NBF. In addition, NBF (or its related parties) may benefit from income earned upon the conversion of any currency.

### 3. Transfer to a RRIF

If, upon maturity of your Registered Retirement Savings Plan (RRSP), it is converted to a Registered Retirement Income Fund (RRIF), all the assets (CAD and USD accounts) will be transferred to a CAD RRIF if you do not have a RRIF in USD. If applicable, the amount in your USD account will be converted to CAD, using the rate applicable on the transfer date.

### 4. Debit to the account

In addition to a USD account, if you also have a CAD account in a similar plan:

- a) and your CAD account has a debit balance, NBF can, at its discretion, convert the funds in your USD account and transfer the converted amount to your CAD account to cover the debit balance;
- b) and your USD account has a debit balance, NBF can, at its discretion, convert the funds in your CAD account and transfer the converted amount to your USD account to cover the debit balance.

### 5. Withholding tax on withdrawals from a USD registered account

When you make a withdrawal from a USD registered account, the amount withdrawn will be converted and reported to Canada Revenue Agency in CAD. The amount of the withholding tax (based on the amount withdrawn) will also be calculated in CAD. Any applicable penalties, if any, with respect to a USD registered account, will be calculated in CAD.

We communicate with our clients in English or French based on the preference they manifest when filling out the Client File with their Wealth Advisor. Unless we hear differently, we assume you confirm that you want all documents and communications from us to be in English. Should this not be the case, please notify your Wealth Advisor.

*Nous communiquons avec nos clients en anglais ou en français, selon la préférence qu'ils ont indiquée en remplissant le Fichier client avec leur conseiller en gestion de patrimoine. À moins d'indication contraire, nous comprenons que vous désirez recevoir tous vos documents et toutes nos communications en anglais. Si ce n'est pas le cas, veuillez en aviser votre conseiller en gestion de patrimoine.*

# Strip bonds and strip bond packages information statement

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.

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information statement

## 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

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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 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 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.

## 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;

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- › 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

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- › 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.



## 10 Strip bonds and strip bond packages information statement

## 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 semiannual. 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>

**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 interestbearing debt security.**

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%

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information statement

## 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 previously, 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.**

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## 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 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.

## 14 Strip bonds and strip bond packages information statement

- › **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.

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- › **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.

Bond type			Market price volatility			
	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%

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information statement

## 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.

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## 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.

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### 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.

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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.

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information statement**

### **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.

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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.

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- 1 CARs are corporate strip bonds comprised of coupon and residual securities.
- 2 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.
- 3 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.
- 4 The purchase price of a strip bond may be calculated as follows:  
Purchase Price = 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:  $100/(1+0.0275)^{50} = \$25.76$ .

December 2022





## Client Notice

# Fee Schedule

Effective January 1, 2024



National Bank Financial – Wealth Management prides itself on the quality of the services it offers its clients, and constantly strives to ensure their satisfaction. With this in mind, we feel it is important to inform each of our clients about the fees associated with the different aspects of our services. People who know how they are being charged for services and how much they are paying generally tend to feel they are getting much better value for their money. This is why we invite you to read the following fee schedule carefully, and to ask your Wealth Advisor for explanations on anything you have the slightest question about.

## Fee Schedule

### Annual Administration Fees<sup>1</sup>

<b>Registered account (RRSP, RRIF, LIF, LIRA)</b>	
› Delivery preference – electronic <sup>2</sup>	\$115*
› Delivery preference – paper	\$135*
<b>Other registered accounts (TFSA, FHSA, RESP or RDSP)</b>	
› Delivery preference – electronic <sup>2</sup>	\$35*
› Delivery preference – paper	\$50*
<b>Non-registered accounts</b>	
› Delivery preference – electronic <sup>2</sup>	\$115
› Delivery preference – paper	\$135

Annual administration fees, charged in March of each year, cover the previous calendar year and are not applicable to fee-based accounts nor to certain accounts to which exemption criteria apply.

### Operations and Transfer Fees

Returned cheque or electronic funds transfer to/from another financial institution	\$50
Cheque certification	\$50
Electronic Funds Transfer (EFT)	free
Bank wire transfer to another financial institution	\$50
RRSP or LIRA account withdrawal	\$50*
FHSA taxable withdrawal	\$50*
Stop payment	\$25
Account transfer to another financial institution (partial or total)	\$155*
Closing a registered account	\$150*

### Miscellaneous Fees

Additional copies of trade confirmations and/or portfolio statements (duplicates)	no charge
<ul style="list-style-type: none"> <li>› Online Documents Service</li> <li>› By mail</li> </ul>	\$50/duplicate/year*
Document search <sup>3</sup>	
<ul style="list-style-type: none"> <li>› Up to 3 documents</li> <li>› More than 3 documents</li> </ul>	\$25/document* \$75/h (min. 1 h)*
Substitution in a registered plan	5 free securities/year, \$50/subsequent security
Unclaimed account <sup>4</sup>	\$125/year

Duplicate fees are charged in June of each year.

An annual fee of \$150\* may be applied to maintain shares of privately held companies in registered or non-registered accounts.

Account in CA\$ or US\$: fees are charged in CA\$ or US\$ according to the currency of the account.<sup>5</sup>

Account in foreign currency (other than US\$): fees are charged to the related CA\$ or US\$ account, as applicable.<sup>5</sup>

Interest charges may be applied to credit balances in foreign currencies other than US\$.

### Specialized Services Fees

Estate processing	\$150*
Pledge, escrow or tutorship	\$150/year
Registration of physical certificate or direct registration statement	\$150*
<ul style="list-style-type: none"> <li>› Accelerated</li> </ul>	\$200*
Securities in safekeeping registered in client's name	\$50/account/month*
FullAccess Service	\$250/year

Pledge, escrow or tutorship fees are charged in June of each year. FullAccess Service fees are not applicable on fee-based accounts.

If you trade securities on foreign markets, certain stock exchanges, securities commissions or foreign governments may, from time to time, impose taxes or apply trading, execution or settlement fees on financial transactions made in their country. Furthermore, intermediaries may require additional safekeeping charges for certain securities. When these particular fees are levied, they are over and above the usual commissions, management fees and administration fees National Bank Financial Wealth Management applies to your accounts and your transactions, regardless of the pricing option you have chosen. These supplemental fees will be charged in the currency of the country where the transaction was made, and are displayed in your trade confirmation or portfolio statement.

Any special transactions not covered in this schedule may be subject to additional fees.

\* Subject to GST and provincial taxes.

1 Consists of, among other things, the safekeeping of securities with a custodian, trustee fees, deposit of your investment income (dividends, interests, etc.), production of statements, as well as access to research, online services and quarterly newsletters about markets and investment strategies.

2 You must have an electronic delivery preference for your investment portfolio statement, trade confirmations and fiscal documents.

3 Documents are available for a period of up to 7 years.

4 Unclaimed account with no valid address.

5 No conversion rate is applied.

GST/HST/QST: 103313821 RT0001

Short-selling borrowed securities or completing transactions while there is a short position in an account may result in additional fees, which vary according to the market and the borrowed security. These fees are charged directly to your account the following month in the currency of the account, regardless of whether the position is covered or not. Contact your Wealth Advisor for more information regarding these fees.

Each time a currency conversion is required, National Bank Financial – Wealth Management acts as principal in converting the currency and earns income on the basis of the difference between the price offered to you for the currency and the price obtained by National Bank Financial – Wealth Management or its affiliates for that same currency (the "**Spread**"), in addition to any commission and management or advisory fees that may apply.

A currency conversion is required when, for instance, a transaction involves a security denominated in a currency other than that of the account in which the operation is settled, a transfer of funds is made between accounts denominated in different currencies or an amount (dividends, interest, etc.) in one currency is paid in an account that is denominated in a different currency.

The exchange rate applicable to the operation (the "**Applicable Rate**") is established by National Bank Financial – Wealth Management or its affiliates and corresponds to the interbank exchange rate in effect at the time of the settlement of the transaction, plus the Spread applicable to the transaction.

The Applicable Rate varies according to several factors, including market fluctuations and the amount, date and nature of the operation. The Spread applicable to the operation also varies according to the amount of the operation. The Applicable Rate and Spread are subject to change without notice. Up-to-date information on the applicable Spread can be obtained by visiting the *Regulatory Information* section of our website at <https://www.nbfwm.ca/about/regulatory-information.html> or from your Wealth Advisor. All currency conversions take place at the time when the operation is settled.

Managing the world's most important investments: yours!

nbfwm.ca

**CIPF**  
Canadian Investor Protection Fund  
MEMBER



29422-202 (2023/08)

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 **NATIONAL BANK  
FINANCIAL**  
WEALTH MANAGEMENT

**CIPF**

Canadian Investor Protection Fund

# Canadian Investor Protection Fund

## **WHAT DOES THE CANADIAN INVESTOR PROTECTION FUND DO FOR INVESTORS?**

If you have an account with a member firm, and that firm fails, CIPF works to ensure that any property being held for you by the firm at that time is given back to you, within certain limits. Property can include cash and securities.

To help you get started, a list of the initial steps that you may wish to take if your firm fails is available on CIPF's website at [www.cipf.ca](http://www.cipf.ca).

## What does CIPF cover?

### CIPF COVERS:

Missing property – This is property held by a member firm on your behalf that is not returned to you following the firm’s insolvency. Missing property can include:

- cash
- securities
- other property described in CIPF’s Coverage Policy

A “security” is a type of financial instrument. Some examples of securities are: bonds, GICs (guaranteed investment certificates) and shares or stock of a company. A share or stock is an ownership interest in a company issued by that company. The company or other legal entity that issues the securities is often called the “issuer” of the securities.

### CIPF DOES NOT COVER:

Not all losses that may arise are covered by CIPF. For example, CIPF does not cover losses resulting from any of the following:

- a drop in the value of your investments for any reason
- investments that were not suitable for you
- fraudulent or other misrepresentations that were made to you
- misleading information that was given to you
- important information that was not disclosed to you
- poor investment advice
- the insolvency or default of the company or organization that issued your security (the entity that you invested in)
- other exclusions identified in the CIPF Coverage Policy

### DOES CIPF GUARANTEE THE VALUE OF YOUR INVESTMENT?

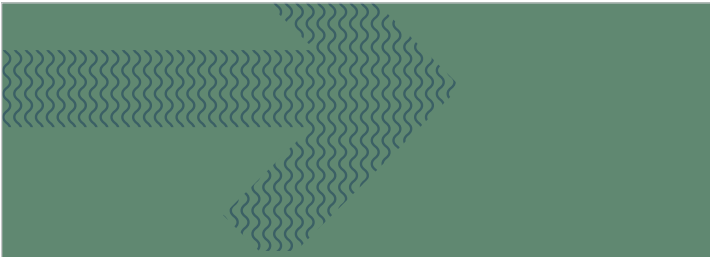
No. CIPF does not guarantee the value of your property.

### EXAMPLE OF HOW CIPF COVERAGE WORKS

If you bought one hundred shares of Company X at \$50 per share through a member firm, and the share value on the day of the member firm’s insolvency was \$30, CIPF’s objective would be to ensure the return of the one hundred shares to you because that’s the property in your account at the date of insolvency. If the one hundred shares are not returned to you, CIPF would provide compensation based on the value of the missing shares on the day of the member firm’s insolvency. In this example, that’s \$30 per share.

### WHO PAYS FOR THIS COVERAGE AND HOW DO I GET IT?

You’re automatically eligible for coverage if you have an account with a member firm that is used solely for investing in securities or in futures contracts. And because CIPF is funded by its member firms, you do not pay a fee for CIPF protection. Non-residents and non-citizens are eligible for coverage.



#### **WHO ARE CIPF MEMBER FIRMS?**

Member firms are investment dealers that are members of IIROC (Investment Industry Regulatory Organization of Canada). Approximately 170 investment dealers across Canada are CIPF members. Please see CIPF's website for a list.

#### **WHAT ARE THE COVERAGE LIMITS?**

CIPF will provide compensation for the value of the missing property as at the date of insolvency, up to the limits prescribed in the CIPF Coverage Policy.

For an individual holding one or more accounts with a member firm, the limits on CIPF protection are as follows:

- \$1 million for all general accounts combined, plus
- \$1 million for all registered retirement accounts combined, plus
- \$1 million for all registered education savings plans (RESPs) combined.

The limits of coverage for other types of clients are outlined on CIPF's website.

All coverage by CIPF is subject to the terms and conditions of the CIPF Coverage Policy and Claims Procedures.

**Get CIPF  
Protection –  
Invest with  
an IIROC  
Regulated  
Member**



**NATIONAL BANK  
FINANCIAL**  
**WEALTH MANAGEMENT**  
NATIONAL BANK FINANCIAL INC  
130 KING STREET WEST  
SUITE 3200  
TORONTO, ONTARIO M5X 1J9

Check the Member Directory on CIPF's website to confirm you are dealing with a member of the Canadian Investor Protection Fund.

**CIPF**  
Canadian Investor Protection Fund

Canadian Investor Protection Fund  
100 King Street West, Suite 2610, Box 481  
Toronto, Ontario, Canada M5X 1E5

For more information on CIPF, please visit  
[www.cipf.ca](http://www.cipf.ca) or call toll-free at 1.866.243.6981  
or 416.866.8366 or e-mail: [info@cipf.ca](mailto:info@cipf.ca).

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# How IIROC protects investors

Protecting Investors and Supporting  
Healthy Capital Markets Across Canada



You're discussing your investment needs with a financial advisor registered with the Investment Industry Regulatory Organization of Canada (IIROC).

Smart move. Here's why:

**IIROC Works to Protect Investors** throughout your experience with a Registered Investment Advisor

Your advisor is providing you with this brochure so that you understand the advantages and protections offered by investing through an IIROC-regulated advisor and firm.

IIROC regulates the activities of all Canadian investment dealer firms and the advisors they employ.

These companies and their investment advisors must meet IIROC's high ethical and professional standards.

We conduct regular reviews of all firms to make sure they comply with our rules and we take disciplinary action if our rules and standards are broken by firms or their advisors.

IIROC Registration Means **Your Advisor Meets Our High Standards**



To become registered with IIROC, your investment advisor passed a series of background checks and tests to ensure he or she meets our experience requirements and professional standards.

IIROC-registered advisors must also complete mandatory continuing education courses to stay up to date on our rules, financial products and industry trends.

You can make sure your investment advisor is registered with IIROC and find out if he or she has ever been disciplined for breaking our rules by searching the **AdvisorReport** on our website.

Your IIROC-Registered Advisor **Must Understand and Address Your Financial Needs**



Before your advisor can open an account and provide you with financial services, he or she will ask you a series of questions to understand how to best meet your particular needs.

This “Know Your Client” process is an IIROC requirement that ensures your advisor is familiar with your financial situation, investment knowledge and objectives, tolerance for risk and the time horizon for your investment objectives, before making investment recommendations.

This may take more than one meeting, but please provide the information your advisor requests. This will help ensure that your advisor offers you investment account types, strategies and products that are suitable for your individual financial needs and circumstances.



Your Advisor **Must Keep You Informed** about Your Investments

IIROC requires your advisor to share information with you about the products, services and account types you are offered and any associated fees and charges.

Most of this information will be included in a Relationship Disclosure Document, which you should read carefully.

Your advisor must also keep you updated with regular account statements and periodic reports on the fees and charges you pay and on the performance of your investments.

As an investor, you can protect yourself by reading and understanding the information IIROC requires your advisor to provide.

Ask your advisor about any information you do not understand.

You also Benefit from **other Protections**




All IIROC member firms must maintain an adequate cushion of capital, which reduces the risk of them becoming insolvent.

Firms must also keep your investments separate from their own assets.

Your account is also eligible for protection by the Canadian Investor Protection Fund, which covers up to

**\$1,000,000**


per account if an IIROC-regulated firm becomes insolvent. You can learn more at [www.cipf.ca](http://www.cipf.ca).

Your Complaints  Must be Addressed

If you have a concern about your advisor or investment firm, you can complain directly to them and they must address your complaint in accordance with IIROC standards. The firm must also report your complaint to IIROC so we can ensure it has been dealt with appropriately.

IIROC can also investigate your complaint and, if necessary, take disciplinary action.

You can contact IIROC directly at 1-877-442-4322 or email us at [InvestorInquiries@iroc.ca](mailto:InvestorInquiries@iroc.ca).

Need More  Information?

Please visit [www.iroc.ca](http://www.iroc.ca) to:

Make sure your investment advisor is registered and the firm that employs your advisor is regulated

Find out if your advisor has ever been disciplined by IIROC for breaking our rules

Get more information about opening an account and understand the importance of providing complete information to your advisor

Learn more about how IIROC protects investors and supports healthy capital markets

## Questions?

### CONTACT US:

Tel: 1-877-442-4322

Fax: 1-888-497-6172

Email: [investorinquiries@iiroc.ca](mailto:investorinquiries@iiroc.ca)

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[www.iiroc.ca](http://www.iiroc.ca)

# Making a Complaint A Guide for Investors

PART 1 OF 2

Investment Industry Regulatory  
Organization of Canada

Protecting Investors and Supporting  
Healthy Capital Markets Across Canada



The Investment Industry Regulatory Organization of Canada (IIROC) **Protects Investors and Supports Healthy Capital Markets**

- All Canadian investment firms and individual investment advisors dealing in Canada's stock and bond markets **must** be registered with IIROC
- IIROC-regulated companies and their investment advisors **must** meet our high ethical and professional standards
- IIROC conducts regular reviews of registered investment firms to make sure they comply with our rules
- IIROC takes action if our rules are broken or our standards are not met

Do you have concerns about the conduct or behaviour of your **IIROC-regulated investment firm or advisor**?



**You can make a complaint to any and/or all of the following:**

- Your investment advisor
- The supervisor/branch manager who oversees your investment advisor
- The firm where your advisor works
- Directly to IIROC

Account losses are not necessarily an indication that your advisor has engaged in misconduct, as most investments carry a degree of risk, with no guarantee of profitability. When you complain to IIROC, we will review your complaint to determine whether our rules have been broken.



First – check to ensure  
**your investment advisor  
is regulated by IIROC**



Make sure you are dealing with an IIROC-regulated investment firm and that your advisor is registered with us.

[www.iiroc.ca](http://www.iiroc.ca) provides a list of all the firms we regulate and a database of the advisors they employ.

**Our online database can help you find out more about**

- the background, qualifications and employment history of your advisor
- any record of IIROC disciplinary action.



Do you believe  
**your investment firm or  
advisor may have acted  
improperly or unethically?**

**For example by:**

- Buying or selling investments without your approval
- Making excessive trades in your investment account
- Recommending investments that are not suitable for you (such as too risky)

If you believe your investment firm or advisor may have broken IIROC's rules or failed to meet our professional standards, **we want to hear from you.**

If our investigation concludes that an investment firm and/or individuals working for the firm have broken our rules, we may take disciplinary action to hold them accountable. This could result in warnings, reprimands, fines, suspensions and/or permanent bans for advisors and firms.

Please note that IIROC discipline **cannot provide compensation** to investors or force firms or individual advisors to do so.

## Don't Delay!



Please make your complaint as quickly as possible. If too much time passes between the issue arising and your complaint, it might not be possible to investigate properly. As well, if you are seeking compensation through other channels (see page 9), there are time limits for taking action.

### How to file a complaint with IIROC

IIROC has a dedicated Complaints & Inquiries department, which you can contact in four ways:

**Use our secure downloadable form:**  
[www.iiroc.ca/investors/makingacomplaint/Documents/ComplaintForm\\_en.pdf](http://www.iiroc.ca/investors/makingacomplaint/Documents/ComplaintForm_en.pdf)

**Send us an email:**  
[investorinquiries@iiroc.ca](mailto:investorinquiries@iiroc.ca)

**Call us toll free:**  
 1-877-442-4322

**Fax us at:**  
 1-888-497-6172

## What we need to follow up on your complaint



- **Please provide IIROC with as much information as possible**, including your name and contact information, as well as the name and contact information for any individual or firm mentioned in your complaint.
- **Keep a file of all documents that relate to your account and your specific issue.** Include copies of letters and email messages. Keep records of conversations – dates, times and details of what was said, as well as any other information you feel is important.
- **You don't need to "prove" your case.** Just provide IIROC with the facts and your supporting documents. You can talk to IIROC staff to help you determine what information is important for our review.
- **Please be prepared to cooperate.** If we decide to take disciplinary action, you may be asked to participate as a witness.

## What happens when you file a complaint?



### When you file a complaint with IIROC:

1. We will let you know we have received it.
2. We will update you after we have reviewed your complaint and decided whether we will proceed with an investigation.

We carefully review all the information we receive to see if IIROC's rules have been broken and if we need to take further action.



## IIROC helps protect you by ensuring your complaints are investigated appropriately

If you complain to the investment firm directly, IIROC requires that the firm abide by our rules for handling client complaints. IIROC-regulated firms must report all written client complaints about possible breaches of our rules so we can determine **whether to conduct our own investigation**.

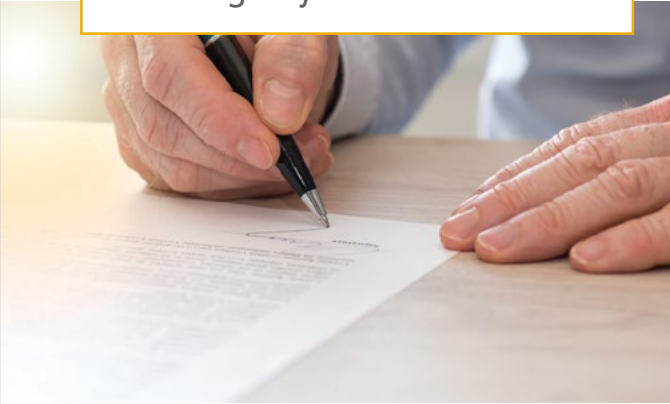
While IIROC does not review customer service issues, we ensure that the firms we regulate respond to such complaints.

If you have a **customer service** complaint, for example:

- Difficulty getting in touch with your advisor
- Being asked to move your account to another firm

and you put your complaint in writing, the firm must provide you with a written response.

### If you complain to the firm or someone at the firm about their handling of your account



#### The firm is required to:

1. Acknowledge your complaint within five business days
2. Provide you with their final response within 90 calendar days, including:
  - a summary of your complaint
  - results of their investigation
  - an explanation of their final decision and
  - options available to you for seeking compensation if you are not satisfied with the firm's response.

### What if I'm not satisfied with the investment firm's response?

#### If your complaint is not resolved with the firm, you have several options:

- The **Ombudsman for Banking Services and Investments** resolves disputes between participating investment firms and investors. Visit [www.obsi.ca](http://www.obsi.ca) or call 1-888-451-4519.
- Québec residents can contact the **Autorité des marchés financiers**. Visit <http://lautorite.qc.ca/en/general-public/> or call 1-877-525-0337.
- Arbitration is available through **ADR Chambers** ([adrchambers.com/ca](http://adrchambers.com/ca) or 1-800-856-5154) and in Québec through the **Canadian Commercial Arbitration Centre** ([www.ccac-adr.org/en/](http://www.ccac-adr.org/en/) or 1-800-207-0685).
- You also have the option of going to court, but you should first get advice from a lawyer.

### How can I get money back?

See our brochure online **How Can I Get My Money Back?** for more information.

## Questions?

### CONTACT US:

Tel: 1-877-442-4322

Fax: 1-888-497-6172

Email: [investorinquiries@iroc.ca](mailto:investorinquiries@iroc.ca)

### TORONTO (HEAD OFFICE)

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Suite 2000  
Toronto, Ontario  
M5H 3T9

### MONTREAL

525 Viger Avenue West  
Suite 601  
Montréal, Québec  
H2Z 0B2

### CALGARY

Bow Valley Square 3  
255-5th Avenue S.W.  
Suite 800  
Calgary, Alberta  
T2P 3G6

### VANCOUVER

Royal Centre  
1055 West Georgia Street  
Suite 2800  
P.O. Box 11164  
Vancouver, British Columbia  
V6E 3R5

[www.iroc.ca](http://www.iroc.ca)

# How Can I Get My Money Back? A Guide for Investors

PART 2 OF 2



Investment Industry Regulatory  
Organization of Canada

Protecting Investors and Supporting  
Healthy Capital Markets Across Canada

## Seeking Financial Compensation



If you've suffered a financial loss because your investment advisor or firm acted improperly, you will likely ask, "How can I get my money back?"

First of all, it's important you act promptly. There are **time limits** attached to all of the options available to you.

The first step in seeking compensation is to make a **written complaint** directly to your investment advisor and his/her firm. They must provide you with a substantive response to your claim **within 90 days**.

### Still not satisfied?

Please go directly to OBSI or consider the other options outlined in this brochure.

**You can contact OBSI at:**  
1-888-451-4519  
[ombudsman@obsi.ca](mailto:ombudsman@obsi.ca)  
[www.obsi.ca](http://www.obsi.ca)

## The Ombudsman for Banking Services and Investments (OBSI)

OBSI is Canada's free, independent service for resolving investment and banking disputes with participating firms.

IIROC requires all the investment firms it regulates to take part in the OBSI process.

Some firms may suggest you use their own internal ombudsman first, but it is your choice whether or not to participate in that process. It is voluntary.

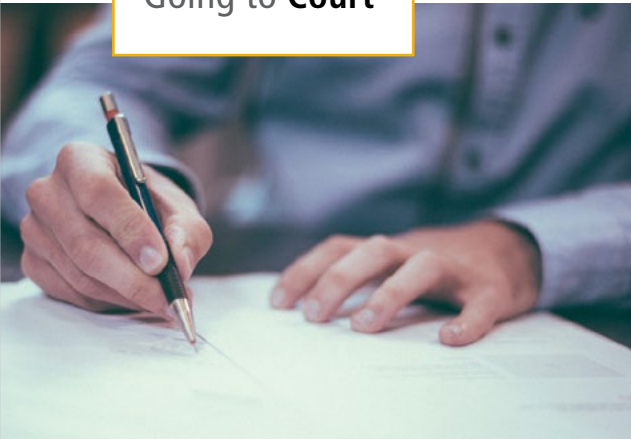
If you've already formally complained to your investment firm and feel your complaint wasn't resolved to your satisfaction, you have **up to 180 days** from the time you receive the firm's written response to submit a complaint to OBSI.

It is important to know that if you choose to use a firm's internal ombudsman, you will have less than 180 days to complain to OBSI as the 180 time limit begins to apply **after** the firm's written response to you. **You do not need to appeal the firm's decision to the internal ombudsman before going to OBSI.**

OBSI can recommend compensation up to \$350,000 but its decisions are not legally binding. Many firms will compensate the complainant but some choose not to.



## Going to Court



There is no limit to the amount of compensation you can claim. It is a good idea to get advice from a lawyer before pursuing legal action, as this can be an expensive option.

There is also a statute of limitations on legal action. This means there are legal time limits and you could run out of time to pursue some of your claims in court.

If you choose legal action, your provincial law society can help you find a lawyer. For a list of provincial law societies, go to [www.flsc.ca](http://www.flsc.ca).

## Arbitration

Arbitration is a process where a qualified arbitrator – chosen in consultation with both you and the investment firm – hears both sides and makes a final, **legally binding decision** about your complaint.

IIROC requires all the investment firms it regulates to take part in this option if you choose to go to arbitration.

The arbitrator acts as the judge in the proceedings and reviews facts presented by each side of the dispute. Either side can choose to be represented by a lawyer, though this is not required. Arbitrators can award up to \$500,000.

There are **costs** to using arbitration, often less than the cost of going to court. The arbitration fees themselves are usually divided between the two parties. When you file your case, you can decide whether to give the arbitrator the added power to award legal costs on top of any other award, in which case the unsuccessful party would pay the other party's legal costs.

**IIROC has designated two independent arbitration organizations:**

**ADR Chambers**  
1-800-865-5154  
[www.adrchambers.com](http://www.adrchambers.com)

**In Québec:** Canadian Commercial  
Arbitration Centre  
1-800-207-0685  
[www.ccac-adr.org/en/](http://www.ccac-adr.org/en/)

## Compensation Options



CHANNEL	TIME LIMIT* TO COMPLAIN	AWARD LIMIT	COST	DECISION BINDING
OBSI	Yes	Up to \$350,000	No	No
Court	Yes	None	Yes	Yes
Arbitration	Yes	Up to \$500,000	Yes	Yes
Québec / AMF	Yes	Up to \$200,000	No	No

\*It is important to understand the time limits of each option.

## In Québec: AMF Mediation Services

If you live in Québec you can use the free services of the **Autorité des marchés financiers (AMF)**. You must first make a formal complaint to your investment firm. If you are not satisfied with its response, you can ask the firm to transfer your complaint to the AMF.

The AMF will assess the complaint and may offer mediation services, though firms are not required to participate.

### For more information on the AMF:

1-877-525-0337

[renseignementsconsommateur@lautorite.qc.ca](mailto:renseignementsconsommateur@lautorite.qc.ca)

[www.lautorite.qc.ca/en/](http://www.lautorite.qc.ca/en/)

## Other options if you live in Manitoba, New Brunswick or Saskatchewan

Securities regulators in these provinces can order a person or company that has broken provincial securities law to pay compensation. These orders are enforced similar to court judgements.

### For more information, contact:

Manitoba Securities Commission:

[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)

New Brunswick Financial and Consumer Services Commission: [FCNB.ca](http://FCNB.ca)

Financial and Consumer Affairs Authority of Saskatchewan: [www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

## Understanding IIROC's Role



As an investor you can complain to IIROC and we will review your complaint to determine whether or not your advisor and/or firm has broken our rules. If we find that our rules have been broken, we may take disciplinary action including fines, suspensions or permanent bans. However, IIROC cannot provide compensation to you or force an investment firm or individual advisor to reimburse you.

### **If you have questions, please contact IIROC at:**

Tel: 1-877-442-4322

Fax: 1-888-497-6172

Email: [investorinquiries@iiloc.ca](mailto:investorinquiries@iiloc.ca)

## Questions?

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### VANCOUVER

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V6E 3R5

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