FRIEDBERG MERCANTILE GROUP LTD.

New Client Application Form and Documentation

FRIEDBERG MERCANTILE GROUP LTD.

Customer's Agreement

SECURITIES, COMMODITIES, AND/OR OPTIONS

This agreement contains provisions that limit the legal liability of friedberg mercantile group ltd. See, for example, sections 2.1 And 2.18. You should carefully read and fully understand this agreement before submitting an application form to us.

Preliminary Acknowledgement of Customer

The undersigned understands that trading in securities, commodities or options (as such terms are defined below) is a highly speculative activity, and that (among other risks):

- prices are subject to sharp upward and downward swings,
- any sharp price fluctuation may result in a severe loss of the undersigned's capital,
- where securities, commodities or options are traded in other than Canadian currency, exchange rate fluctuations may also result in losses to the undersigned's capital,
- with respect to commodities or options, on certain trading days in which a commodity or option reaches its permissable exchange price limit, trading may cease, to the undersigned's financial disadvantage,
- in the case of options, maximum position limits may be set on short positions, and
- a clearing house or exchange may enact further rules affecting existing or subsequent transactions.

The undersigned is willing and able to assume the risks of the securities, commodities, and/or options trading in respect of which the undersigned will request you to act from time to time and recognizes that profit, or freedom from loss, cannot be guaranteed. Accordingly, the undersigned acknowledges that no such guarantees have been received from you or any of your representatives and that the undersigned has not entered into this agreement, and will not transact, in consideration of any such guarantees. The undersigned will not hold you responsible for loss should the undersigned follow any of your trading recommendations or suggestions.

Terms of Agreement

In consideration of your accepting one or more accounts of the undersigned (whether designated by name, number or otherwise) and your agreeing to act as broker for the undersigned in the purchase or sale of commodities, options or securities (as such terms are defined below), the undersigned agrees as follows:

Section 1. Interpretation

1.1 Definitions

As used in this agreement:

"commodities" means physical commodities, contracts relating to interest rates, contracts for the future delivery of commodities and commodity futures options (as such term is defined in the *Commodity Futures Act (Ontario)*) for such contracts, whether or not specifically referred to in the *Commodity Futures Act (Ontario)* or the *Securities Act (Ontario)* or other analogous legislation;

"options" means options to sell securities (commonly known as "puts"), options to purchase securities (commonly known as "calls") and transactions whereby the undersigned becomes a writer (both covered or uncovered) of an option or a holder (purchaser) of an option; and

"securities" includes:

(i) any instrument or security, including, without limiting the generality of the foregoing, shares of stock, certificates of shares of stock, script certificates, stock warrants or rights, and bonds, notes, debentures, and other evidences of indebtedness whether secured or unsecured and the security therefor,

(ii) all other property usually and customarily dealt in on exchanges, boards and markets, and

(iii) interbank foreign exchange contracts.

1.2 Extended References

Wherever in this agreement the undersigned is referred to as a single individual, that reference will include all signers if more than one, and a partnership, association or corporation, as the case may be, if it be the signer.

1.3 Headings, Plural and Gender

The headings in this agreement are for convenience of reference only, and shall not in any way affect its interpretation. In this agreement, where the singular is used it shall include the plural and vice versa, and where the masculine is used it shall include the feminine and neuter genders.

1.4 Other Agreements

This agreement shall be construed in conjunction with any other agreements between you and the undersigned relating to the accounts of the undersigned with you; provided that to the extent necessary (and unless otherwise expressly provided in such other agreement) the terms and provisions of this agreement shall supercede the terms and provisions of such other agreements, whether or not referred to herein. For greater certainty, this agreement in no way limits or restricts any other rights which you may have under any other agreements with the undersigned.

Section 2. Authorization to Act; Matters Relating to Trading, etc.

2.1 Authorization to Act

The undersigned hereby authorizes you to act as the undersigned's broker, agent and attorney in fact for the purchase and sale of securities, commodities and/or options, subject to the terms and conditions contained herein, provided that you may also act as principal for your own account involving non-exchange purchases or sales. In your sole and absolute discretion, you may retain the services of, and place monies with, brokers and other financial institutions regardless of where they carry on business, and you shall not be required to make any investigation of their financial status or their general reputation in the securities, commodities or options businesses, as applicable. This agreement constitutes your sole and sufficient authority for appointing brokers and other financial institutions to act on behalf of the undersigned. It is further agreed that, in the course of your dealings with brokers and other financial institutions, payment instruments issued with respect to accounts maintained or trades made on behalf of the undersigned may be issued in the name of Friedberg Mercantile Group Ltd. or such other broker or other financial institution to more conveniently effect trades or transfers of funds. It is agreed that you may settle contracts and controversies according to the regulations and customs of the exchange or market where the orders are executed.

The undersigned agrees that

(i) you will not be liable for errors, omissions or delays in the operation of the account, the handling or transmission of orders due to breakdown or failure of transmission or communication facilities or to any other cause beyond your reasonable control or anticipation, and further

(ii) you will not be liable in connection with the execution or handling of orders for the undersigned's account except for your gross negligence or wilful misconduct.

You have the right to determine, in your discretion, whether an order is acceptable, to refuse to accept any order or to limit positions which you are prepared to undertake for the account of the undersigned and to close out commodity futures contracts and futures contract options under specified limits generally imposed by you. You may at any time and from time to time take whatever steps you deem necessary or desirable so that the account of the undersigned will conform with the limits as so set, without notice to the undersigned.

2.2 Margin, etc.

If the undersigned applies for a margin facility, the undersigned acknowledges that you have the right to determine, in your discretion, whether to grant the margin facility and the conditions which are to apply to such facility. The undersigned further acknowledges that you may, at any time and from time to time,

(i) reduce or cancel any margin facility made available to the undersigned or refuse to grant any additional margin facility to the undersigned or

(ii) require the undersigned to provide margin in addition to the margin required by any laws, regulations, policies or orders of any applicable government or regulatory authority (collectively, "Applicable Regulatory Requirements").

The undersigned will at all times maintain margins for said accounts, as required by you from time to time, and promptly meet all margin calls, and understands that you may call the undersigned for margin whenever you deem it necessary or advisable for your protection. The undersigned will also promptly pay any indebtedness due as a result of any reduction or cancellation of any margin facility. The undersigned acknowledges that it is your policy to operate your margin business on a trade date basis.

2.3 Commissions and Other Obligations

The undersigned agrees to pay you all commissions which may be owing to you on commodities, options and securities bought and/or sold for the undersigned's account (including, for greater certainty, any transactions pursuant to sections 2.7 and 3.5 below), at the established rates, and in cases where there are no established rates then at reasonable rates, having regard to the nature of the transaction and the amount involved. The undersigned understands that for transactions involving securities, options or commodities denominated in a foreign currency, the transaction amount will be converted by you into U.S. dollars, or any required currency for settlement, at the exchange rate set by you in effect at the time the transaction is processed and that you will also charge the undersigned's account a conversion fee based on your fee rates in effect at the time the transaction is processed. The undersigned acknowledges having been advised that your rates from time to time are available to the undersigned on request.

The undersigned undertakes, at any time, upon your demand, to discharge the obligations of the undersigned to you, or, in the event of a closing of any account of the undersigned, in whole or in part, to pay you the deficiency, if any, and no oral agreement or instructions to the contrary will be recognized or enforceable.

2.4 Dormant Account Fee

A $25 fee for all inactive commodity accounts will be levied on all clients who did not trade during the previous quarter nor show an open position at the end of the previous quarter, and who do not have a minimum $5,000.00 balance in their account.

2.5 Compliance with Limits

The undersigned will not, either alone or in concert with others, violate the positions or exercise limits which applicable exchanges or clearing houses may set from time to time.

2.6 Short Sales; Good Delivery

Whenever the undersigned orders a short sale, the undersigned will declare it as such.

Except for any declared short sale, the undersigned will not order any sale or other disposition of any securities or other investment instrument not owned by the undersigned or of which the undersigned will be unable to make delivery in acceptable delivery form on or before the settlement date.

2.7 Rights if Client Fails to Deliver

In case of the sale of any securities, commodities or options by you at the direction of the undersigned and your inability to deliver the same to the purchaser by reason of failure of the undersigned to supply you therewith, then in such event the undersigned authorizes you to borrow or purchase any securities, commodities or options necessary to make delivery thereof, and the undersigned hereby agrees to be responsible for any loss which you may sustain by reason of your inability to borrow or purchase the securities, commodities or options sold.

2.8 Acting as Principal

The undersigned understands that you may act at times as principal in respect of trades made on behalf of the undersigned. The undersigned acknowledges that in such situations you may earn profits in addition to any commission you earn on the transaction, based upon the difference between the price at which you complete the transaction with the undersigned and any price or subsequent transaction that you undertake to buy or sell the instrument or currency trade.

2.9 Review of Reports/Statements

Reports of the execution of orders and statements of the accounts of the undersigned will be conclusive if not objected to in writing, the former within two days, and the latter within ten days, after forwarding by you to the undersigned by mail or otherwise.

2.10 Offset and Allocation

It is understood and agreed that the executed order for securities, commodities and options will be offset against the account positions of the undersigned, if any, and the allocation of exercise of options written by the undersigned will be made on a first-in, first-out basis unless the undersigned specifically designates otherwise at or before the time the undersigned places an order.

2.11 Intention in Commodities Trading

All orders for the purchase or sale of commodities are given by the undersigned and executed by you with the understanding that it is the undersigned's intention, in the case of purchases, to receive delivery of and pay for the physical commodities and, in the case of sales, to deliver the physical commodities.

The undersigned acknowledges that the undersigned must advise an account executive of any decision to roll over deliverable futures positions to the next delivery month not less than two days prior to "first notice"; provided that if the undersigned fails to notify you at least two days prior to "first notice day" that the undersigned does not wish the subject position to be rolled over and you have been unsuccessful in your attempt to notify the undersigned, you may, at your discretion - although you are not obligated to do so - roll over the subject position, on behalf (and for the account of) the undersigned, to the next active delivery month then reasonably available for such purposes.

2.12 Delivery of Free Positions

You will deliver to the undersigned, upon demand at any time following full performance by the undersigned of all the undersigned's obligation to you, all securities, commodities and options of the undersigned held by you. You will have no obligation to deliver the same securities, commodities and options deposited or received, but may deliver securities, commodities and options of the same kind and amount.

2.13 Representation as to Encumbrances

The undersigned represents that upon delivery by the undersigned of any securities, commodities and options in transactions effected under this agreement, such securities, commodities and options will be free and clear of any and all liens, charges and encumbrances.

2.14 Transactions are Subject to Market Rules, etc.

Every transaction is subject to and in accordance with the constitution, by-laws, rules, regulations, directions, requirements and customs (including all changes, amendments or additions therein or thereto which may affect such transaction) of the exchange, market or clearing house on which or through which such transaction is executed or is intended by you to be executed and of the clearing corporation, clearing house, or other association, body or institution performing similar functions connected therewith, as well as of all committees, boards and other bodies, officials and authorities thereof, including all exchanges and associations to which you belong (collectively, "**Clearing Entities**"), or if any transaction is not executed or intended by you to be executed on any such exchange, market or clearing house, then such transaction shall be subject to and in accordance with the usages and customs prevailing among brokers with respect to similar transactions. The undersigned hereby consents to your taking, from time to time, the other side to transactions in commodities and options as is necessary.

2.15 Fairness Policy

In bulk fills, the following procedure is followed:

(a) On even-numbered days of the month, the best prices are allocated to accounts having the lowest account numbers and the poorest prices (or "non-fills") are allocated to the accounts having the highest account numbers.

(b) On odd-numbered days of the month, the process described in (a) is reversed.

2.16 Method of Allocation Long

(or short) positions resulting from the exercise of a granted option will be allocated to clients on a random selection basis or otherwise, as it may deem appropriate. If more than one client grants an option on the same date, exercise will be allocated as follows:

(a) On even-numbered days of the month, the client having the lowest account number becomes long (or short).

(b) On odd-numbered days of the month, the client having the highest account number becomes long (or short).

2.17 Client to Advise on Expiring Options

The undersigned acknowledges that the undersigned must advise an account executive of any decision to offset, exercise or abandon the undersigned's option at least two days prior to the expiration date of the option contract; provided that if the undersigned fails to notify you prior to the last exercise date and you have been unsuccessful in your attempt to notify the undersigned,

(i) you may, at your discretion - although you are not obligated to - exercise an 'in-the-money' option, on behalf (and for the account) of the undersigned and

(ii) in any event, the Clearing Entity through which the option was entered into may automatically exercise an 'in-the-money' option.

You will exercise due diligence in an effort to notify the undersigned (prior to opening of trading) on the day you are notified of the assignment of exercise by the Clearing Entity.

The undersigned is aware that option transactions may be required to be on a cash only basis during the last ten days before the option expires, and in addition Clearing Entities may from time to time enact other rules affecting existing or subsequent transactions.

2.18 OTC Derivatives

In connection with interbank foreign exchange transactions and other over-the-counter derivative transactions
("**OTC Derivatives**") which the undersigned is transacting or which the undersigned may hereinafter transact through you, the undersigned acknowledges and confirms that:

(i) such transactions are not cleared on futures exchanges, but rather are transacted through various domestic and foreign banks, brokers, dealers, and other institutions (the "**Correspondents**");

(ii) in the event of the failure on the part of any Correspondent with which an OTC Derivative has been placed, there could be a default by the Correspondent in the settlement of the OTC Derivative which may not be rectified even though the Correspondent may receive government support in respect of its deposits; and

(iii) in the event that a default occurs in the settlement of any OTC Derivative by reason of a default on the part of any Correspondent involved in the transaction, and which occurs without fault on your part, then the undersigned expressly releases and absolves you of any risk or liability whatever for or in respect of any loss, loss of profit, cost, charge or expense which the undersigned may incur as a result of such default.

2.19 Carrying Broker Arrangements

The undersigned agrees to the appointment of NBCN or such other carrying broker as you may engage from time to time (the "**Carrying Broker**") as agent of the undersigned for trading, clearing and settlement of stock transactions with you.

As agent, the Carrying Broker will:

- issue and receive cheques and deliver and receive securities on behalf of the undersigned with respect to all transactions with you;
- be responsible for the receipt, delivery and safekeeping of funds and securities; and
- be responsible for issuing confirmation slips and

the statements of accounts for all transactions. The undersigned acknowledges that the Carrying Broker does not control, audit or otherwise supervise the activities of Friedberg Mercantile Group Ltd., or its employees.

Friedberg Mercantile Group Ltd., as introducing broker:

- will be solely responsible for determining or supervising the suitability of all trading activity, including the nature of securities purchased, the portfolio structure of the accounts and the opening and initial approval of accounts;
- will bear full responsibility for all regulatory capital required by the Canadian Investment Regulatory Organization; and
- may elect to handle all or some of the cash transactions, including arranging for lending facilities and the investment and custody of free funds.

Section 3. Dealing with Client Property

3.1 General Lien

All monies, securities, commodities, and options which you may at any time be carrying for the undersigned or which may at any time be in your possession for any purpose, including safekeeping, will be subject to a general lien for the discharge of all obligations of the undersigned to you, irrespective of whether or not you have made advances in connection with such securities, commodities or options and irrespective of the number of accounts the undersigned may have with you.

3.2 Carriage and Use of Client Positions

All securities, commodities or options now or hereafter held by you, or carried by you for the undersigned (either individually or jointly with others), or deposited to secure the same, may from time to time and without notice to the undersigned be carried in your general loans and may be pledged, repledged, hypothecated or rehypothecated, separately or in common with other securities, commodities and options, or any other property, for the sum due to you thereon and without retaining in your possession and control for delivery a like amount of similar securities, commodities or options.

All securities, commodities or options held by you for the account of the undersigned when the undersigned is indebted to you may be used by you for making delivery against a sale, whether a short sale or otherwise and whether such sale is for the account of the undersigned or that of another of your clients.

3.3 Interest on Debit Balances

Debit balances of the accounts of the undersigned will be charged with interest, in accordance with your usual custom, and with any increases in rates caused by money market conditions, and with such other charges as you may make to cover your facilities and extra services. The interest rate shall be the interest rate designated by you from time to time as being your interest rate for determining interest on debit balances in accounts with you, and the undersigned waives notice of changes to such rates.

3.4 Collateral

As continuing collateral security for the payment of any indebtedness which is now or which may in the future be owing by the undersigned to you or to the Carrying Broker, the undersigned hereby pledges to you and to the Carrying Broker all of the undersigned's securities, options, cash and other property, including any free credit balances, which may now or hereafter be in any of the undersigned's accounts with you or the Carrying Broker (collectively, the "**Collateral**"), or held in any other account in which the undersigned has an interest and whether or not any amount owing relates to the Collateral pledged. So long as any indebtedness remains unpaid, the undersigned authorizes you and the Carrying Broker, without notice, to use at any time and from time to time the Collateral in the conduct of your and the Carrying Broker's business, including the right to:

(i) combine any of the Collateral with property of yours or the Carrying Broker or other clients or both;

(ii) pledge any of the Collateral which is held in your or the Carrying Broker's possession as security for your or its own indebtedness;

(iii) lend any of the Collateral to you or the Carrying Broker for your or its own purposes; or

(iv) use any of the Collateral for making delivery against a sale, whether a short sale or otherwise and whether such sale is for the account of the undersigned or for the account of yours or any other client of the Carrying Broker.

3.5 Authorization to Trade in Certain Circumstances

You are hereby authorized, in your discretion, should the undersigned die or should you for any reason whatsoever deem it necessary for your protection (including, without limitation, if the undersigned fails to pay any indebtedness when due, you deem the margin held by you to be insufficient for your protection or the undersigned fails to comply with any other obligation under this agreement) to sell any or all of the securities, commodities, options or other property which may be in your possession, or which you may be carrying for the undersigned (either individually or jointly with others), or to buy any securities, commodities, options or other property in respect of which the account or accounts of the undersigned is short in whole or in part or in order to close out any commitment made on behalf of the undersigned. Such sale, purchase or cancellation may be made according to your judgment and may be made, at your discretion, on the exchange or other market where such business is then usually transacted, or at public auction or private sale, without advertising the same and without notice to the undersigned or to the personal representatives of the undersigned and without prior tender, demand or call of any kind from you, or prior notice from you of the time and place of such sale or purchase and such sale, purchase or cancellation shall not be considered a waiver of your right to sell or buy any securities, commodities, options or other property held by you, or owed to you by the undersigned, at any time as hereinbefore provided.

3.6 Transfers of Monies/Positions

At any time and from time to time, in your discretion, you may, without notice to the undersigned, apply and/or transfer any or all monies, securities, commodities or options of the undersigned interchangeably between any accounts (including joint accounts) of, or any account guaranteed by, the undersigned. In addition, and for greater certainty, whenever there shall be a credit balance in any account of the undersigned with you, the amount of such credit balance need not be segregated or held separately but may be commingled with your general funds and used for the general purposes of your business and such credit balance shall be deemed to be and shall be an item in a debtor and creditor account between the undersigned and you, and the undersigned shall rely solely on your liability in respect thereof. In addition, such funds may, in your discretion, be transferred to another account (including joint accounts) maintained by you for the undersigned. Unless otherwise instructed in writing, securities held free for the account of the undersigned may, at your discretion, be kept at any of the places where you have an office or maintain a depository arrangement.

3.7 Joint Accounts

(a) If this account is held by more than one person, all of the joint holders are jointly and severally liable to you for any and all obligations arising out of transactions in the account and agree to be bound by all terms and conditions of this agreement signed by each party. You are authorized to accept instructions and to send confirmations to any one of the joint owners, and the undersigned hereby further appoints any and all of said joint owners as agents of the undersigned for receipt of confirmations and hereby waives any right to receive confirmations otherwise. Any one or more of the joint owners has full authority for the account and risk in the name of the joint account.

(b) If this account is a joint account, in the event of the death of any of the account holders, the survivor(s) must immediately give you written notice thereof, and you, before or after receiving such notice, may take such action, institute such proceedings, require such papers, retain such portion of the account, and restrict transactions in the account as you may deem advisable to protect you against any tax, liability, penalty, or loss under any present or future laws or otherwise. The estate(s) of any of the account holders who have died will be liable, and the survivor(s) will continue to be liable, to you for any debit balance or loss in the account in any way resulting from the completion of transactions initiated prior to the receipt by you of the written notice of the death of the decedent, or incurred in the liquidation of the account, or the adjustment of the interests of the respective parties.

(c) If this account is held by tenants in common, then, in the event that the account is closed or upon receipt of a certified document evidencing death or legal incapacity of any tenant, the account will be divided in equal shares unless you are otherwise notified, in writing, signed by all joint owners of the amounts to be distributed to the individual joint owners.

(d) If this account is held by the parties as joint tenants with rights of survivorship, then, upon receipt of a certified document evidencing death or legal incapacity of one of the account holders, the remaining party or parties will continue this account in their name as sole or joint owners with all the terms and conditions of said account continuing in full force and effect.

Section 4. General

4.1 Alternative Course of Action

Whenever this agreement entitles you to alternative courses of action, you are entitled any one or more of such alternative courses of action, in your discretion.

4.2 Communications

Communications may be sent to the undersigned at the address of the undersigned given in the client application form, or at such other address as the undersigned may hereafter give you in writing, and all communications so sent, whether by telephone, mail, [email,] telegraph, fax, messenger or otherwise, shall be deemed given to the undersigned personally, whether actually received or not.

4.3 Governing Law

This agreement and its enforcement will be governed by the internal laws of the Province of Ontario and the federal laws of Canada applicable therein, without reference to conflicts of law rules.

4.4 Arbitration

Friedberg Mercantile Group Ltd. is a member of the Canadian Investment Regulatory Organization. A brochure entitled "Investor Protection for Clients of CIRO Member Firms" will be provided to the undersigned upon account opening. This brochure outlines the options of the undersigned should the undersigned have a complaint which cannot be resolved by your Compliance Department.

4.5 Investor Protection Fund

Friedberg Mercantile Group Ltd. is a member of the Canadian Investor Protection Fund ("CIPF"). CIPF ensures, within defined limits, that a customer's cash and securities are protected if they are an eligible customer of an investment dealer that is a member of one of CIPF's sponsoring organizations. The undersigned can contact CIPF by writing to:

CIPF
100 King West
Suite 2610, P.O. Box 481
Toronto, Ontario
M5X 1E5

or via telephone at 416.866.8366 (or Toll-free: 866.243.6981) or by emailing them at the email address provided on the CIPF website at www.cipf.ca.

4.6 Enurement, etc.

The provisions of this agreement will be continuous, will cover individually and collectively all accounts which the undersigned may open or re-open with you, and will enure to the benefit of your present organization, and any successor organization, irrespective of any change or changes at any time in the personnel thereof, for any cause whatsoever, and of the assigns of your present organization or any successor organization, and will be binding upon the undersigned and the estate, executors, administrators and assigns of the undersigned.

4.7 Capacity

The undersigned,

(i) if an individual, represents that the undersigned has reached the age of majority and has the power and capacity to enter into this agreement and perform the undersigned's obligations hereunder and

(ii) if other than an individual, represents that it has the power and capacity to enter into this agreement and perform its obligations hereunder and that the execution and delivery of this agreement have been duly authorized.

The undersigned further represents that no one except the undersigned has an interest in the account or accounts of the undersigned with you.

4.8 Further Assurances

The undersigned will do all acts or things and will execute and deliver all documents and instruments as are necessary or desirable to give effect to the provisions of this agreement, including, without limitation, to give effect to all transactions in securities, options and commodities for the account of the undersigned executed by you pursuant to this agreement.

4.9 Advising of Change in Circumstances

The undersigned will advise you of any material change in his or her account, such as a change in address, financial situation, employment status or investment experience. In addition, the undersigned agrees to advise you of any restrictions in trading now applicable to the undersigned and will advise you of any changes in such restrictions, or any new restrictions, which may become applicable. The undersigned will immediately advise you if the undersigned or anyone living with the undersigned acquires a 10% or greater interest in or otherwise becomes an insider of any public company (a reporting issuer) or if there is any material change in the information the undersigned has provided to you. The undersigned agrees to disclose and provide proper authorization in accordance with industry practice, if the undersigned is a partner, director or employee of a member, member firm or member corporation of any stock exchange or a non-member broker or investment dealer.

4.10 Not Employed by Registrant

If the undersigned is an individual and not an employee of yours, the undersigned hereby confirms that he or she is not a partner, director or employee of any member or non-member broker or dealer. If the undersigned becomes a partner, director or employee of any such broker or dealer, the undersigned will immediately advise you in writing and complete any documents required to allow the undersigned to continue as a client of yours.

4.11 Telephone Orders, etc.

The undersigned acknowledges that should the undersigned place orders for securities, options or commodities by telephone, such telephone conversations with you may be recorded (with or without the use of a tone-warning device) to assure accuracy of orders. You may, at your discretion, act in all matters on instructions given or purporting to be given by or on behalf of the undersigned by email or other electronic transmission, and you will not incur any liability by reason of acting or not acting on any error in such instructions. Further, you may use such recordings or transcripts thereof as evidence in connection with any dispute or proceeding.

No messages may be left or orders placed by the undersigned on your answering machine or voicemail facilities. Under no circumstances will an order be accepted from the undersigned simply by virtue of leaving a message on the answer phone or voicemail facilities. The undersigned must never assume that the undersigned has made or that you have accepted such an order unless and until the undersigned receives an order confirmation from you. The undersigned further acknowledges that you do not accept FAX trade instructions; and that this form of instruction will not be acknowledged in any way.

4.12 Language

It is the express wish of the parties that this agreement and all related documents, notices and other communications be in English. Les parties aux présentes ont expressément exigé que la présente convention, tous les documents qui y sont afférents et tous les avis et autres communications entre les parties soient rédigés en langue anglaise.

4.13 Change of Law

Whenever any Applicable Regulatory Requirement is enacted, prescribed or promulgated which affects, in any manner, or is inconsistent with any of the provisions hereof, the provisions in this agreement so affected will be deemed modified or superseded, as the case may be, by such Applicable Regulatory Requirement, and all other provisions of this agreement and the provisions as so modified or superseded shall in all respects continue and be of full force and effect.

4.14 Waivers and Amendments

No provision of this agreement may be waived or amended by you unless the waiver or amendment is in writing and signed by one of your duly authorized officers. No waiver by you of this agreement may be implied from any course of dealing by you, or any failure by you or your agents to assert your rights under this agreement.

4.15 Severability

If any provision of this agreement shall be determined to be invalid or void, in whole or in part, by a court of competent jurisdiction, the remaining provisions shall remain in full
force and effect.

4.16 Information for Regulators

The undersigned hereby authorizes you, if so required, to provide all applicable regulatory authorities with information and reports with respect to the undersigned's accounts relating to reporting limits and position limits.

4.17 Credit Information

The undersigned hereby authorizes the bank described in the client application form and The Credit Bureau of Greater Toronto (and Associates) to release to you any information which you may request respecting the net worth, annual salary or income of the undersigned (and, if the undersigned is an individual, of the spouse of the undersigned), and such other financial information respecting the undersigned as you may request, and for so doing this shall be your good, sufficient, absolute and irrevocable authority. A photographic copy of this authorization shall be as valid as the original.

4.18 Borrowed Money

The undersigned acknowledges having been advised that using borrowed money to finance the purchase of securities involves greater risk than using cash resources only, and that if the undersigned borrows money to purchase securities the responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

4.19 Client Confirmation

The undersigned:

- has read and understood this agreement;
- has been given the opportunity to ask all desired questions on this agreement;
- agrees to be bound by this agreement;
- acknowledges that, except as expressly set out in this agreement, no promise, undertaking or representation has been made to the undersigned; and
- is aware that various provisions of this agreement, including, amongst others, sections 2.1 and 2.18, limit your legal liability.

FRIEDBERG MERCANTILE GROUP LTD.

Statement of Policies

RELATED AND CONNECTED ISSUER AND CONFLICT OF INTEREST DISCLOSURE STATEMENT SHARED FACILITIES

Introduction

We have structured our business so that where possible conflicts of interest are avoided. Where that is not possible, we endeavour to inform our clients of the potential conflicts of interest (including through providing you with this document). In all respects, we operate our businesses on the basis that our clients' best interests are our priority.

The purposes of this Related and Connected Issuer and Conflict of Interest Disclosure Statement (this "Statement") are to describe the types of relationships that may exist between an issuer of securities which clients of Friedberg Mercantile Group Ltd. ("**FMGL**") may trade and any of the following entities or individuals:

- FMGL or any entity which controls or is controlled by FMGL (a "**Friedberg Entity**"),
- Any partner, director or officer of a Friedberg Entity (a "**Friedberg P/D/O**"),
- Any employee of a Friedberg Entity (other than a Friedberg P/D/O) (a "**Friedberg Employee**"),
- Any Associated Party of a Friedberg Entity, a Friedberg P/D/O or a Friedberg Employee (an "**Associated Party**" is a relative of such a person living in the same home, or a trust, estate or issuer in which such a person has a substantial beneficial interest),

to advise you as to how you can obtain a current list of the issuers in respect of which such a relationship exists, and to describe potential conflicts of interest and our policies and procedures to assist us in identifying and minimizing any conflicts of interest we may face.

When we refer to the "Friedberg Professional Group" in this Statement we include each Friedberg Entity, each Friedberg P/D/O, each Friedberg Employee and their respective Associated Parties.

Key Concepts

Connected Issuers

A "**Connected Issuer**" of FMGL means an issuer or a seller of securities of an issuer if such issuer or seller, or a Related Issuer of such issuer or seller, is indebted to, or has another relationship with any of the following that may lead a reasonable prospective purchaser of the securities of such issuer to question if FMGL and such issuer or seller are independent of each other:

- a Friedberg Entity,
- a Related Issuer of a Friedberg Entity,
- a Friedberg P/D/O, or
- a partner, director or officer of a Related Issuer of a Friedberg Entity.

Related Issuers

A "**Related Issuer**" of FMGL means an issuer (i) in which FMGL is an influential securityholder, (ii) which is an influential securityholder of FMGL or (iii) which has a common influential securityholder with FMGL.

Where to find Information

Where FMGL acts for you in transactions involving a Related Issuer or a Connected Issuer, the potential conflict will be disclosed to you in the following places:

- Where FMGL acts as underwriter for an issuance of securities of a Related Issuer or Connected Issuer, the prospectus, offering memorandum or other document prepared in connection with the distribution will contain a description of the nature of our relationship with the issuer.
- Where FMGL buys or sells securities of a Related Issuer or Connected Issuer for your account, the confirmation of the trade and your monthly statement will indicate that the issuer is a Related Issuer and/or Connected Issuer.
- Where FMGL advises you with respect to the purchase or sale of securities of a Related Issuer and/or Connected Issuer we will notify you of our relationship with the issuer when giving you the advice.
- Where FMGL exercises discretion, under your authority, in the purchase or sale of securities for your account, we will obtain your prior specific and informed written consent before exercising that discretion for transactions involving Related Issuers and Connected Issuers.

List of Related/Connected Issuers

You can obtain the current list of the Related Issuers and Connected Issuers of FMGL by request sent to 220 Bay Street, Suite 600, Toronto, Ontario M5J 2W4 Attention: Compliance Officer or by email to **dscheiner@friedberg.ca**. The current list of the Related Issuers and Connected

Issuers of FMGL is posted on our website at www.friedberg.ca.

Related Issuers

As reflected above, a Related Issuer relationship with FMGL exists only when there is an influential securityholder relationship between the issuer and FMGL. Accordingly, Related Issuers of FMGL are listed on the list of related and connected issuers maintained by FMGL without further explanation.

Connected Issuers

A Connected Issuer relationship will exist in circumstances where there is some relationship such that the issuer may not be independent of a Friedberg Entity, a Friedberg P/D/O, a Related Issuer of a Friedberg Entity or a director, officer or partner of such a Related Issuer. Such a relationship will exist for one of the following reasons:

- *Service Provider to Investment Fund.* The issuer is an investment fund for which a Friedberg Entity provides services. In such circumstances, the fund will be included on the list of related and connected issuers maintained by FMGL and will be noted with "Administrator" if a Friedberg Entity provides administrative management and "Advisor" if a Friedberg Entity provides portfolio management.
- *Ownership of Equity.* There is Friedberg Professional Group ownership of equity securities constituting more than 5% of the subject class but the issuer is not a related issuer of FMGL. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with "Equity".
- *Ownership of Debt.* There is Friedberg Professional Group ownership of debt of the issuer (including such instruments as notes, bonds, debentures and preferred shares) with a material aggregate face payment entitlement. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with "Debt".
- *Partner, Director or Officer.* A Friedberg P/D/O is a partner, officer or director of the issuer or a Related Issuer of such issuer. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and will be noted with "P/D/O".
- *Other*. There is a relationship other than those described above such that the issuer is considered a Connected Issuer of FMGL. In such circumstances, the issuer will be included on the list of related and connected issuers maintained by FMGL and the nature of the relationship will be described.

Potential Conflicts Interest in Respect of Related/Connected Issuers

As reflected above, there are various types of circumstances as a result of which an issuer could be a Related Issuer or a Connected Issuer of FMGL (whether as a result of ownership of equity, debt or another relationship), but in each case the circumstances result in a potential conflict of interest because your proposed trade in securities of the issuer could benefit a member of the Friedberg Professional Group (other than simply the commission that you may pay for the proposed trade). For example, if you are purchasing shares of an issuer, or loaning money to an issuer, in which a member of the Friedberg Professional Group has an ownership interest or is owed money, your investment or loan could increase the value of the ownership interest of the Friedberg Professional Group member or allow the owed amount to be paid. Similarly, your investment in shares of the issuer through an exchange could provide liquidity and/or could positively impact on the market price of the shares of the issuer (which would benefit all shareholders of the issuer, including the member of the Friedberg Professional Group).

Our disclosure to you of the nature of the relationship is intended to assist you in making a fully-informed decision as to whether to make the proposed trade.

Shared Facilities

For purposes of administrative or cost efficiencies, some of FMGL's office facilities are shared with entities under common control with FMGL or in which one or more of FMGL's directors or officers acts as a director or officer, including (among others) FMGL's parent company. None o f these companies having separate personnel from FMGL.

In addition, the shared office of a number of limited partnerships under common control with FMGL and in which one or more of FMGL's directors or officers acts as director(s) and/or officer(s) of the general partners (the "Trading LPs") are located in FMGL's office facilities. Although the Trading LPs (and their general partners) are under common control with FMGL, there are ownership interests in each held by, and certain directors and officers of the general partners are, individuals that are not FMGL personnel (the "Trading LP Outside Personnel"). None of the Trading LPs and none of their general partners is registered with Canadian securities regulators in any category (in particular, none of them is a dealer or a member of the Canadian Investor Protection Fund).

FMGL does not provide customer information to the Trading LP Outside Personnel and has established policies, procedures and physical restrictions to ensure that the Trading LP Outside Personnel have no access to FMGL customer records or information.

Other Conflicts of Interest

Related Canadian Registrants

Toronto Trust Management Ltd. ("TTML") is registered as an Investment Fund Manager. It provides administrative management services to certain investment funds for which FMGL or its affiliate provides portfolio management and brokerage services. TTML is a subsidiary of FMGL.

Friedberg Advisors LP is a registered advisor which is the general partner of certain investment funds (and its duties include providing portfolio management to such funds). Its general partner and limited partner are each subsidiaries of FMGL.

Although TTML, Friedberg Advisors LP and FMGL are all obliged to provide their services on behalf of the investment funds in good faith and in the best interests of the investment funds and their securityholders, there is a potential conflict of interest that they may not negotiate service provider terms or enforce the right of the investment funds against their affiliated companies on the same basis as would be the case if TTML, Friedberg Advisors LP and FMGL were arm's length parties.

In addition, each of these investment funds is a Connected Issuer of FMGL because FMGL and/or its affiliates will benefit (through earning additional servicing fees from the investment fund) from investments made by clients of FMGL in these funds.

Side by Side Management of Different Types of Accounts

Investment advice may be provided to a variety of different accounts including, but not limited to, accounts containing strategies that pay performance based fees. There exists the potential conflict that where FMGL or an affiliate acts as a portfolio manager, the portfolio manager could hold the same security short in one portfolio and long in another portfolio. Investment decisions are made and securities traded based on the investment objectives, strategy, guidelines and other relevant factors of each account. Certain of FMGL's or an affiliate's portfolio managers manage these performance-based fee accounts alongside accounts that do not pay performance-based fees. Due to the different fee structures of various accounts, there may be a perceived incentive to favour a performance based fee account over a non-performance based fee account.

Policies and procedures are designed to ensure that, over time, no client is favoured to the detriment of another. In particular, certain of FMGL's allocation policies are based on allocating to clients based on even vs. odd account numbers and taking into account the date of month, such that certain clients may be favoured for a specific trade but over time it is intended that the benefit of allocations will even out.

Acting as Principal

In certain instances where we act as your broker or exercise discretion on your behalf, securities purchased for you may be bought from or sold to us, a party associated with us or, in the course of distribution, a Connected Party.

Fairness Policy

FMGL maintains standards directed to ensuring fairness for clients. The fairness policies of FMGL are set out below.

Each director, officer and employee of FMGL will:

- Ensure that orders for clients always have priority over orders for the Friedberg Professional Group,
- Ensure that he/she deals fairly with all accounts when making investment recommendations, or taking investment action and must not favour some accounts over others,
- Use his/her best efforts to mitigate any conflict of interest between himself/herself, FMGL and clients, and inform clients of any material conflict of interest relating to him/her that might impair his/her ability to render unbiased and objective advice with respect to investment opportunities,
- In advising clients, exercise diligence, independence (including in the case of securities of Connected Issuers and Related Issuers, where additional conflict controls are in place), and thoroughness in analyzing investments, making investment recommendations and taking investment action, and
- Strive towards a high standard of ethical business and personal conduct and professionalism.

Privacy Agreement and Consent

The Personal Information Protection and Electronic Documents Act ("PIPEDA") sets out the rules for the collection, management, use and disclosure of personal information. It is supposed to balance an individual's right to the privacy of personal information with the need of organizations to collect, use, or disclose personal information for legitimate business purposes. Financial companies choose how they share your personal information. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

Client Privacy Is Friedberg's Priority

Friedberg Mercantile Group Ltd. ("FMGL") is committed to safeguarding the personal information that our customers provide us. This private policy describes how FMGL handles and protects personal information we collect about individuals who apply for or receive FMGL services. The provisions of this policy apply to former customers as well as current customers.

What Does Friedberg Mercantile Group Ltd. Do With Your Personal Information

When you submit the New Customer Application Forms and/or a Subscription Application for any of FMGL's investment funds, we collect personal information about you for business purposes, such as processing your application, processing your requests and transactions, and thereafter maintain an account with FMGL informing you about new products and services that may be of interest to you, and providing customer service. The need to collect the information is required by the self-regulatory organizations that oversee our industry. The personal information we collect about you includes:

- Information you provide to us on subscription documents, applications and other forms, such as your name, address, bank account, date of birth, social insurance number/social security number, occupation, assets and income.
- Account statements and other information about your transactions with us.
- Information we receive from consumer reporting agencies, such as your credit history and creditworthiness.
- Information you provide to us to verify your identity, such as your drivers license or passport.
- Information received from Canadian/US or foreign governments or other entities not affiliated with us.
- Recorded conversations with brokers.

How We Protect Personal Information

We limit access to your personal information to those FMGL employees who need to know it in order to comply with regulatory requirements, service your account, and help you accomplish your financial objectives, by providing you with a broad range of products and services. Our employees are required to maintain and protect the confidentiality of your personal information and must follow established procedures to do so, including yearly risk and vulnerability assessments, and privacy impact assessments (related to acquisition, development and redesign of information systems or electronic delivery project involving personal information). We maintain physical, electronic and procedural safeguards to protect your personal information. We do not rent or sell your name or personal information to anyone. We protect our servers via strong firewalls, brokers and all personnel use 2 step verification access to their computers to safeguard your privacy. We constantly update our antivirus and spam filters for cyber security threats.

Any breach of security safeguards that can cause significant harm to your private information will be reported to you and the Privacy Commissioner of Canada, and if you are a Quebec resident, based on Quebec's Bill 64, we will notify the Commission d'acces a L'information (CAI) and affected individual when a prescribed breach occurs.

We will keep records of breaches of security that affect your personal information for at least 2 years. Information that is not needed for the purpose of doing business with FMG Ltd. is destroyed/deleted.

Sharing Information With Affiliates

We may share personal information described above with our affiliates for business purposes, such as, but not limited to, servicing client accounts and informing clients about new products and services, or to aid in the trading activity of the company, its affiliates, or employees, and as permitted by applicable law. Our affiliates may include companies controlled or owned by us as well as companies that have an ownership interest in our company, most of these companies are outside of Quebec. The information we share with affiliates may include any of the information described above, such as your name, address, trading and account information. Our affiliates maintain the privacy of your information to the same extent FMGL does in accordance with this policy.

Disclosure To Non-Affiliated Third Parties

In order to support the financial products and services we provide to you, we may share the personal information described above with third-party service providers, including financial service institutions (e.g., dealers, brokers and banks), auditors, lawyers and the companies under contract to perform services for us or on our behalf, such as vendors that prepare and mail statements and transaction confirmations or provide data processing, computer software maintenance and development, transaction processing and services. These companies acting on our behalf are required to keep your personal information confidential. Except as described in this privacy policy, we will not use your personal information for any purpose unless we describe how such information will be used at the time you disclose it to us or we obtain your permission to do so. We want you to know that FMGL will not sell your personal information.

Accessing And Revisiting Your Personal Information

We endeavor to keep our customer files complete and accurate. We will give you reasonable access to the information we have about you. Most of the information is contained in account documentation that you submit to obtain our services and statements that you receive from us. We encourage you to review this information and notify us if you believe any information should be corrected or updated. If you have any questions or concern about your personal information or this privacy notice, please contact your investment adviser or Enrique (Rick) Zauderer, FMGL's Chief Privacy Information Officer.

Retention Of Personal Information

FMGL may retain your personal information on file after you cease to be a client, for as long as FMGL requires such information or as long as is demanded by our regulatory requirements. We will provide you, upon request, your personal information that we hold.

Consent

By opening an account with us, you are providing your consent for us to collect, use and release your personal information.

You are not required to supply any of the personal information that we may request, but failure to do so may result in our being unable to open or maintain your account or provide services to you. Further, while we make every effort to ensure that all information, we hold about you is accurate, complete and up to date, you can help us considerably in this regard by promptly notifying us if there are any changes to your personal information. If you do not wish to have your personal information disclosed to our affiliates or other third parties as described in this policy, please contact us via e-mail at privacy@friedberg.ca or
send your request to:

220 Bay Street, Suite 600
Toronto, Ontario M5J 2W4.

If at any time you wish to withdraw this consent, please advise us. However, please note that withdrawing consent may mean that we will be unable to provide certain services to you. We will explain the consequences of withdrawing consent, should you choose to do so.

Information and Risk Disclosure Statement

To: Prospective Commodity Futures Customers

For the speculator, futures trading is a high risk activity in which it may not be possible to limit the extent of potential liability. Before you buy or sell a contract you should be certain you can afford to lose not only the money you put up initially but additional money as well. On the reverse side of this form is an information statement on certain aspects of futures trading. The following are among the points that you should consider in studying this statement:

1. Financial Exposure

You should fully understand the description of margin arrangements and of how you can be required to put up additional money even after your initial trade. See the section headed “Risk”.

2. Settlement procedures

Once you have made a trade, you cannot sit back and treat it as a long-term investment. You must arrange to meet margin calls. And before the end of the contract term you must arrange an offsetting transaction, if you want to avoid having to settle by making or taking physical delivery. See the section headed “Settlement of Contracts”.

3. Use Of Funds

Money you deposit with a dealer as margin may earn interest or be used by the firm in its business and you should be aware of the firm’s policy as to whether it will pay you interest on this money. Also, if the value of the contract moves in your favour, money will be credited by the clearing house and you should be aware of your dealer’s policy as to whether it will permit you to withdraw any amounts credited to it when the contract moves in your favour. These policies, discussed under “Interest on Customer’s Balance” and “Disbursement of Funds During Life of Contract” can have a significant impact on the economic results of your trading.

These and the material on the reverse side of this form are not the only parts of this material that are important. You should study all of the material carefully, and ask any questions about it that may occur to you, before you enter your first transaction.

FRIEDBERG MERCANTILE GROUP LTD.

Summary Description of Commodity Futures Trading

RELATED AND CONNECTED ISSUER AND CONFLICT OF INTEREST DISCLOSURE STATEMENT

Nature Of The Contracts

When you trade in commodity futures contracts you are entering contracts to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on your behalf on a commodity futures exchange.

Margin

Each commodity futures exchange requires its members to obtain mandatory minimum margin from customers for whom the exchange members act. Many commodity futures exchanges set minimum margin requirements on the basis of a two tier system which is comprised of an "initial margin" requirement and a "maintenance" level. "Initial margin" is the original deposit required, the earnest money when the contract is entered into. If the market price moves against the customer's position causing the margin on deposit to fall to or under a prescribed level called "maintenance" he will be required to furnish "variation margin" or additional funds to restore margin on deposit to initial margin. Other commodity futures exchanges set minimum margin requirements on the basis of a single rate which must be deposited when the contract is entered into and which must be maintained at all times while the contract position remains open. The minimum initial margin is thus in practice equal to the maintenance level. Under both systems margin is calculated at the end of each day and more frequently during active markets. When variation margin is required it must be furnished immediately.

Daily Price Limits

Commodity futures exchanges also impose maximum daily permissible price changes in each commodity – "daily price limits" – certain amounts above or below the previous day's closing price beyond which limits no trades may be effected.

The reason for such limits is to prevent sudden extreme price movements. However, the result can be days elapsing before a trading level is found. The loss to a trader on the wrong side of the market and seeking to offset his contract can be substantial.

Settlement Of Contracts

Only a very small proportion of commodity futures contracts are, in fact, settled through actual delivery of a commodity. Instead, they are usually settled by entering an opposite or offsetting contract. To settle a contract in which a certain amount of a particular commodity for a given delivery month was bought, the buyer subsequently contracts to sell a like amount of that commodity for the same

delivery month. To settle a contract in which a commodity was sold, the seller buys an equal amount. Any difference between the price at the time the original contract was made and the price at the time the liquidating or offsetting contract is entered into is settled in cash.

Risk

The risk of loss in commodity futures trading is substantial. You should, therefore, carefully consider whether such trading is suitablefor you in light of your financial condition, objectives and temperament. In considering whether to trade, you should be aware of the following:

(1) You may sustain a total loss of the initial margin funds and any additional funds that you deposit with your broker to establish or maintain a position in the commodity futures market. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the prescribed time, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

(2) Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when the market makes a "limit move".

(3) Placing contingent orders, such as "stop-loss" or "stop-limit" order, will not necessarily limit your losses to the intended amounts, since market conditions may make it impossible to execute such orders.

(4) A "spread" position may not be less risky than a simple "long" or "short" position.

(5) The high degree of leverage that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

(6) As most transactions are made in foreign currencies, the risk you assume includes those related to currency fluctuations.

(7) In the event of the bankruptcy of a dealer it is probable that you would merely have, as to your claim against funds deposited as margin, the status of an unsecured creditor, whether or not such funds were segregated under the Commodity Futures (Ontario). You would then participate in available assets on a pro rata basis with other unsecured creditors. This brief statement cannot, of course, disclose all the risks and other significant aspects of the commodity markets. You should therefore carefully study and become familiar with all aspects of commodity futures trading.

Margin

Friedberg Mercantile Group Ltd. generally requires from its customers more margin than the minimum amounts prescribed by a commodity exchange. When variation margin is required from the customer the amount deposited must restore margin on deposit to the original deposit required by the firm. All margin requirements are to be met by the deposit of cash.

Transfer Of Funds Between Customer's Balance

If you also maintain a securities account, Friedberg Mercantile Group Ltd. shall, unless you direct otherwise, transfer free funds between accounts if such transfer is necessary to reduce or eliminate a debit balance of $5,000 or more. Free funds may otherwise be transferred between accounts only if the transfer is made in accordance with a written agreement between us. The form of Customer's Agreement which you will be asked to enter into in order to have Friedberg Mercantile Group Ltd. open an account to trade securities or commodities on your behalf provides the authority to Friedberg Mercantile Group Ltd. to apply and/or transfer any monies, securities, commodities or options interchangeably between the accounts maintained for you or guaranteed by you with Friedberg Mercantile Group Ltd.

Interest On Customer's Balance

Minimum margin funds deposited by customers are transmitted to the appropriate clearing houses and Friedberg Mercantile Group Ltd. may earn interest on these funds from time to time. Excess funds, including funds representing equity gains (unrealized profits) are held by Friedberg Mercantile Group Ltd. in overnight deposits at leading financial institutions. Interest is not paid to customers on these funds.

Disbursement Of Funds During Life Of Contract

Friedberg Mercantile Group Ltd. does permit a customer to withdraw excess margin deposits and equity gains (unrealized profits) on contracts entered into on his behalf while the contract is still open.

Commissions And Other Transaction Costs

Friedberg Mercantile Group Ltd. charges commissions in respect of the purchase and sale of futures contracts. Such commissions are customarily charged when the transaction is closed, that is to say, when a long position is liquidated or when a short position is covered. Such commissions are debited to the customer's account and represent a first charge upon the customer's funds. Friedberg Mercantile Group Ltd. charges commissions which are thought to be below those customarily charged by other futures commission merchants, but commissions may equal or exceed those charged by others for any and all types of futures contracts. The commissions and/or transaction costs which may be in effect from time to time will be subject to change at any time by Friedberg Mercantile Group Ltd. Such commissions and other transaction costs are subject to change by Friedberg Mercantile Group Ltd. at any time, in which event a revised schedule of commissions and other transaction costs will be furnished on request.

FRIEDBERG MERCANTILE GROUP LTD.

Section 1: Summary Disclosure Statement

WITH RESPECT TO EXCHANGE-TRADED COMMODITY FUTURES OPTIONS

Part 1. Introduction

This Summary Disclosure Statement describes in general terms the nature, the requirements for and the risks involved in the purchase or sale of Commodity Futures Options in transactions on a Commodity Futures Exchange, which transactions are cleared through the facilities of the appropriate clearing house.

Generally, a Commodity Futures Option (option) is a contract which gives the Holder or Purchaser, for a consideration, the right to buy or sell a specific futures contract (the "Underlying Futures Contract") at a stated Exercise Price and within a specified period of time. The consideration is the Premium that is paid for the purchase and sale of an option, and this Premium is determined by agreement of the parties in a transaction on the floor of a Commodity Futures Exchange. The Premium is paid by the Purchaser ("Holder") and is received by the Seller ("Writer") of an option. No portion of the Premium is retained by the exchange on which the option transaction is executed nor by the clearing house through whose facilities the transaction is cleared. In addition, buyers and sellers of options pay transaction costs, which may include commissions, fees and other charges that may be incurred in connection with each option transaction.

- Before you trade commodity futures options, you should carefully read this statement. This is important because of the particular risks involved.
- If you plan to buy a commodity futures option, you should realize that you will pay both a
- Premium and a commission. The premium compensates the seller or writer of the option for the risks he assumes: the commission compensates the dealer who handles the transaction for you.
- Accordingly, if you are to avoid a loss, the price of the underlying futures contract must – before the expiry of the option period – rise above of fall below the exercise price, as the case may be, sufficiently to absorb both the premium and the commission.
- If you plan to sell a commodity futures option, you should realize that you will be obligated
- To buy or sell the underlying futures contract should the purchaser decide to exercise the option. If you write an option and you do not have a corresponding long or short position in the underlying futures contract, there is no limit to your possible loss, which is determined entirely by the amount of the rise or decline in the price of the underlying futures contract.
- No securities commission or similar authority in canada has in any way passed upon the merits of commodity futures options described herein and any representation to the contrary is an offence.
- This is not the only part of this Disclosure Statement that is important. You should study carefully Part II of this Disclosure Statement and ask any questions about it that may not be clear to you before you enter your first transaction.

Part 2. Description Of Commodity Futures Options Trading

Glossary of Terms

1. Commodity Futures Exchange – An association or organization, whether incorporated or otherwise, operated for the purpose of providing the physical facilities necessary for the trading of commodity futures contracts or commodity futures options.

2. Exchange-Traded Commodity Futures Options – The Commodity Futures Options discussed in this Disclosure Statement are Call Options and Put Options ("Calls" and "Puts") which are traded on one or more Commodity Futures Exchanges. Each Exchange-Traded Option is distinguished by the Underlying Futures Contract, Exercise Price, Expiration Date and whether the option is a Call or a Put.

(a) *Call Option* – A contract which gives the Holder the right to buy and the Writer the obligation to sell the Underlying Futures Contract at a stated Exercise Price on or be the Expiration Date of the option.

(b) *Put Option* – A contract which gives the Holder the right to sell and the Writer the obligation to buy the Underlying Futures Contract at a stated Exercise Price on or before the Expiration Date of the option.

(c) *Underlying Futures Contract* – The commodity futures contract, traded on a Commodity Futures Exchange, which may be purchased or sold upon exercise of a Commodity Futures Option.

(d) *Exercise Price* – The stated price at which the Holder may purchase from or sell to the Writer the Underlying Futures Contract upon exercise of a Commodity Futures Option. It is also referred to as the "Strike Price".

(e) *Premium* – The amount agreed upon between the parties for the purchase and sale of a Commodity Futures Option.

(f) *Expiration Date* – The last day when a Commodity Futures Option may be exercise by the Holder.

(g) *Holder* – The purchaser of a Call or Put Option. He is said to have a long position.

(h) *Writer* – The seller of a Call or Put Option. He is said to have a short position.

3. Type of Option – A Call or a Put Option.

4. Class of Options – All Commodity Futures Options of the same type having the same Underlying Futures Contract.

5. Series of Options – All Commodity Futures Options of the same class having the same Exercise Price and Expiration Date.

6. Long Position – To have a long position with respect to a Commodity Futures Option means to have the right to exercise the option on or before the Expiration Date. To have a long position with respect to an Underlying Futures Contract means to be under an obligation to take delivery of the underlying commodity.

7. Short Position – To have a short position with respect to a Commodity Futures Option means to be under an obligation to buy or sell the Underlying Futures Contract upon exercise of the option. To have a short position with respect to an Underlying Futures Contract means to be under an obligation to make delivery of the underlying commodity.

8. Types of Option Transactions

(a) *Opening Purchase Transaction* – A transaction in which a person purchases a Commodity Futures Option and thereby initiates or increases a long position.

(b) *Opening Sale Transaction* – A transaction in which a person sells or writes a Commodity Futures Option and thereby initiates or increases a short position.

(c) *Closing Purchase Transaction* – A transaction in which a person with a short option position liquidates the position by buying an option of the same series as the option previously sold or written. Such a transaction is also referred to as an "Offsetting Transaction".

(d) *Closing Sale Transaction* – A transaction in which a person with a long option position liquidates the position by selling an option of the same series as the option previously purchased. Such a transaction is also referred to as an "Offsetting Transaction".

Nature of Commodity Futures Options

When you trade a Commodity Futures Option (option), you are entering into an agreement whereby you acquire the right (if you are a Holder) or the obligation (if you are a Writer) to buy or sell the Underlying Futures Contract at a stated Exercise Price on or before a specified Expiration Date. The Holder of the option pays a consideration called "Premium" to acquire the right, whereas the Writer of the option receives the Premium as compensation for undertaking the obligation. There are two types of options – the Call Option and the Put Option.

A Call Option gives the Holder the right to buy and the Writer the obligation to sell the Underlying Futures Contract.

A Put Option on the other hand gives the Holder the right to sell and the Writer the obligation to buy the Underlying Futures Contract.

With the exception of the Premium, all other terms of Commodity Futures Options are standardized and determined by the Commodity Futures Exchange on which they are traded, particularly the Exercise Price and Expiration Date. (See "Contract Specifications".) The Premium is not fixed and is determined on an exchange's auction market on the basis of supply and demand, reflecting such factors as the duration of the option, the difference between the Exercise Price of the option and the market price of the Underlying Futures Contract, and the price volatility and other characteristics of the Underlying Futures Contract.

As the Holder of an option, you may exercise your right to buy or sell the Underlying Futures Contract at any time before the Expiration Date of the option. If you exercise a Call Option, you will buy the Underlying Futures Contract, thereby assuming a long position in the futures contract market. If you exercise a Put Option, you will sell the Underlying Futures Contract, thereby assuming a short position in the futures contract market. As the Writer of an option, you may be assigned an exercise notice at any time prior to the Expiration Date of the option, in which event you will be obligated to buy or sell the Underlying Futures Contract. If the exercise notice involves a Call Option that you have written, you will be required to sell the Underlying Futures Contract, thereby assuming a short position in the futures contract market. If the exercise notice involves a Put Option that you have written you will be required to buy the Underlying Futures Contract, thereby assuming a long position in the futures contract market.

Whether you are a Holder or a Writer of an option, if as a result of an exercise of the option you assume a position in the Underlying Futures Contract, you will be subject to the margin requirements for and all of the risks associated with futures contract trading. Before you trade Commodity Futures Options, therefore, you should understand the procedures for and the consequences resulting from the exercise of an option. These are described in more detail under "Exercising Commodity Futures Options".

The Holder of an option is not obligated to exercise his option if it is not profitable for him to do so, in which case the option expires worthless and he loses the Premium he paid for it. If the Holder does not exercise his option, the Writer's obligation under the option ceases upon the expiry of the option, and he profits form the transaction because he retains the Premium paid by the Holder.

Instead of exercising his option, however, the Holder may choose to offset his position prior to the Expiration Date of the option if it is profitable for him to do so. He can do this by executing a closing sale transaction. The Writer of an option may avoid his obligation by offsetting his position at any time prior to the expiry of the option. He can do this by executing a closing purchase transaction. Thus, the Holder of a Call Option may liquidate his position by selling a Call Option of the same series as the one previously purchased, whereas the Writer of a Call Option offsets his position by buying a Call Option of the same series as the one previously sold. The Holder of a Put Option liquidates his position by selling a Put Option of the same series as the one previously purchased, whereas the Writer of a Put Option offsets his position by buying a Put Option of the same series as the one previously sold.

Although Commodity Futures Option trading has this offsetting feature which can, in some way, limit the risks of trading options, there may be certain circumstances under which it may not be possible for you to offset your option position. These situations and their possible adverse effects are described under "Mechanics of Commodity Futures Options Trading".

Certain Risk Factors

Commodity Futures Options are speculative. Consequently, only risk capital should be used to trade them. Before a person purchases or writes an option, he should inform himself of the risks involved and should determine whether such a transaction is appropriate for him in light of his financial situation and investment objectives.

Since the value of a Commodity Futures Option depends largely upon the likelihood of a favourable price movements in the Underlying Futures Contract in relation to the Exercise Price during the life of the option, historical price and volume information concerning the Underlying Futures Contract may be significant in evaluating the risks of an option transaction.

Historical price and volume information are available through various financial publications and in the financial press. Notwithstanding the availability of such information, however, specific market movements in the price of the Underlying Futures Contract cannot be accurately predicted.

Some of the risks involved in trading Commodity Futures Options are summarized below:

1. The Purchaser of a Call or Put Option runs the risk of losing his entire investment – that is, the Premium paid for the option plus all transaction costs – in a relatively short period of time.

With respect to the purchaser of a Call Option, should the market price of the Underlying Futures Contract not rise above the Exercise Price, the Call Option becomes entirely unprofitable at its expiration. Furthermore, if for some reason the Call Option cannot subsequently be sold on an exchange (see "Mechanics of Commodity Futures Options Trading"), the value of the Underlying Futures Contract must move sufficiently above the Exercise Price to cover the Premium and transaction costs in order that the option can be exercised at a profit. The risk of purchasing a Call Option is particularly great where the Exercise Price is considerably above the market price of the Underlying Futures Contract, or where the option is approaching its Expiration Date. In these circumstances, there is less likelihood of the Call Option increasing in value so as to make it profitable for the Holder to exercise the option or effect an offsetting transaction. Anyone purchasing such a Call option must expect to lose the amount paid for it and related transaction costs.

With respect to the purchase of a Put Option, should the market price of the Underlying Futures Contact not decline below the Exercise Price, the Put Option becomes entirely unprofitable at its expiration. Furthermore, if for some reason the Put Option cannot subsequently be sold on an exchange (see "Mechanics of Commodity Futures Options Trading"), the value of the Underlying Futures Contract must move sufficiently below the Exchange Price to cover the Premium and transaction costs ion order that the option can be exercised at a profit. The risk of purchasing a Put Option is particularly great where the Exercise Price is considerably below the market price of the Underlying Futures Contract, or where the option is approaching its Expiration Date. In these circumstances, there is less likelihood of the Put Option increasing in value so as to make it profitable for the Holder to exercise the option or effect an offsetting transaction. Anyone purchasing such a Put Option must expect to lose the amount paid for it and related transaction costs.

ACCORDINGLY, you should not commit any amount of money to the purchase of Calls or Puts unless you are able to withstand the loss of the entire amount so committed.

2. The Writer of a Call Option who does not a long position in the Underlying Futures Contract subject to a risk of loss should the price of the Underlying Futures Contract increase. He may be required to sell the Underlying Futures Contract at an Exercise Price which could be less than the price he must pay to acquire the Underlying Futures Contract.

This type of Call Option writing is extremely risky, and a person engaging in such Call Option transactions could incur large losses. Therefore, only sophisticated investors having substantial capital should engage in this type of transaction. Even such persons must expect to incur substantial losses in many of these Call writing transactions.

3. The Writer of a Call Option who has a long position in the Underlying Futures Contract deliverable upon exercise of the option is subject to the full risk of the underlying position in case of a decline in the price of the Underlying Futures Contract, although he has limited protection against such risk to the extent of the Premium received in writing the Call Option. In exchange for the Premium, however, and as long as he remains the Writer of a Call Option, he gives up the opportunity for gain resulting from an increase in the price of the Underlying Futures Contract above the Exercise Price because of the likelihood that the Call Option will be exercised by the Holder.

4. The Writer of a Put Option who does not have a short position in the Underlying Futures Contract is subject to risk of loss should the price of the Underlying Futures Contract decline. He may be required to buy the Underling Futures Contract at an Exercise Price which could be more than the market price of the Underlying Futures Contract. This type of Put Option writing is extremely risky, and a person engaging in such Put Option transactions could incur large losses. Therefore, only sophisticated investors having substantial capital should engage in this type of transaction. Even such persons must expect to incur substantial losses in many of these Put writing transactions.

5. The Writer of a Put Option who has a short position in the Underlying Futures Contract is subject to the full risk of his underlying position in case of a rise in the price of the Underlying Futures Contract, although he has limited protection against such risk to the extend of the Premium received in writing the Put Option. In exchange for the Premium, however, and as long as he remains the Writer of Put Option, he gives up the opportunity for gain resulting from a decline in the market price of the Underlying Futures Contract because of the likelihood that the Put Option will be exercised by the Holder.

It should be emphasized that the Writer or a Call or Put Option has no control over when he might be required to respond to an exercise notice. Indeed, he must assume that he may be assigned an exercise notice at any time when the exercise of a Call or Put Option is advantageous to the Holder and that in such circumstances the Writer may incur a loss.

The risks of Commodity Futures Options transactions described above may be moderated to the extent that a market in particular options is available on a Commodity Futures

Exchange. This permits Holders and Writers in the appropriate circumstances to limit their losses by closing out or offsetting their positions prior the time trading in these options ceases. Remember, however, that an offset market may not exist for a particular option under certain circumstances. This possibility should always be taken into account in considering the risks of Commodity Futures Options trading.

Mechanics of Commodity Futures Options Trading

The rules of the Commodity Futures Exchange on which a Commodity Futures Option is listed govern the trading of such option. Under such rules, options can be bought and sold only on the trading floor of the exchange. Furthermore, the trading mechanisms established by such rules are designed to provide for competitive execution of buy and sell orders, and to make available to buyers and sellers a continuous market in which an option purchased can later be sold or an option sold can later be liquidated by an offsetting purchase.

Although each exchange's trading mechanisms are designed to provide market liquidity for the options traded on that exchange, it must be recognized that there can be no assurance that a liquid offset market on the exchange will exist for any particular option, or at any particular time, and for some options, no offset market on that exchange may exist at all. The following are among the reasons why it may be impossible to offset an option position: (i) there may be insufficient trading interest in certain options; (ii) the exchange may have imposed restrictions on certain options; (iii) trading halts, suspensions or other restrictions may be imposed; (iv) unusual or unforeseen circumstances may interrupt normal exchange operations; (v) one or more exchanges could, for regulatory or other reasons, decide or be compelled at some future date to discontinue or restrict trading options. In such circumstances, offsetting trades cannot be made although existing options will continue to be exercisable in accordance with their terms.

In any of the foregoing events, it might not be possible to effect offsetting transactions in particular options, Under those circumstances, the market price of the Underlying Futures Contract must either rise above or fall below (as the case may be) the Exercise Price of the option by an amount in excess of the Premium and other costs incurred in the purchase of the option in order for it to be profitable. But in order for the Holder of an option to actually realize a profit, he would have to exercise the option, in which event he would have to comply with the margin requirements for the Underlying Futures Contract. On the other hand, the Writer of the option cannot do anything about his option position because he does not have a right to exercise. His obligation under the option cannot be terminated until it expires and the Holder has not exercised his right. Exchanges may also have rules which limit the amount of

price fluctuation for commodity futures contracts and Commodity Futures Options during a single trading day. It should be emphasized, however, that not all futures contracts and not all Commodity Futures Option are subject to such limits.

For those that are subject to daily limits, the limits may be removed at some point prior to the respective delivery month or Expiration Date. For those that are not subject to daily limits, exchange rules may provide for the imposition of limits under certain circumstances. You should fully understand provisions relating to daily limits where applicable to specific Commodity Futures Options and their related Underlying Futures Contract.

Where daily limits are in effect, they establish the maximum amount that the Premium for an option may vary from the previous day's price. Once the daily limit has been reached in a particular option, no trades may be made at a price beyond the limit. Positions in the option contracts can be opened or closed out only if traders are willing to offset trades at or within the limit during the period for trading on such day. The daily limit rule does not limit losses which might be suffered by a client, because it may prevent the liquidation of unfavourable positions.

Also, option prices may move the daily limit for several consecutive trading days, thus preventing liquidation and subjecting a person with a Commodity Futures Option position to possible substantial losses.

Margin Requirements

Margins with respect to Commodity Futures Options apply only to Writers of options. The Holders have already paid a Premium in order to acquire the right to buy or sell the Underlying Futures Contract and, since Holders do not need to maintain margins, they have no further financial obligation. Writers of options, on the other hand, have accepted a Premium in return for taking on the obligation to buy or sell the Underlying Futures Contract and, therefore, must maintain margins at rates set by the Commodity Futures Exchange or at such higher rates as may be required by the dealer. In addition, Writers of options may be required to pay additional margin in the event of adverse market movement.

The margin requirements of the various Commodity Futures Exchanges may differ significantly. In addition, they are subject to change at any time, and such changes may even apply retroactively to options previously established.

Before you consider selling or writing a Commodity Futures Option, therefore, you should ask your dealer for information on specific margin requirements and assure yourself that you have sufficient available capital to meet increases in margin requirements, should such increases occur.

Exercising Commodity Futures Options

At any time on or before the Expiration Date of a Commodity Futures Option, the Holder may exercise the option and assume a long position (in case of a Call Option) or a short position (in case of a Put Option) in the Underlying Futures Contract at the stated Exercise Price. In order to do so, the Holder notifies his dealer who, in turn, deposits an exercise notice with the clearing house. The Holder of an option should ascertain from his dealer what advance notice is required to enable the dealer to deposit the required exercise notice with the clearing house on or before his Expiration Date. The clearing house forwards this notice to a clearing member who has a short position in that particular option and who is selected in accordance with clearing house rules. Such clearing member then selects, in accordance with its own rules, a particular Writer who must then sell (in case of a Call Option) or buy (in case of a Put Option) the Underlying Futures Contract. Both the Holder and the Writer of the option assume a long or short position, as the case may be, in the Underlying Futures Contract, and both will be subject to the margin requirements for and all of the risks associated with futures contracts trading, unless they already hold an opposite long or short position in the Underlying Futures Contract in which case there would be an automatic offset. Having acquired a position (whether long or short) in the Underlying Futures Contract, the Holder or the Writer may become obligated to make or take delivery, as the case may be, of the commodity represented thereby unless before the delivery month provided for in the futures contract, they elect to offset their position by buying or selling the same futures contract with the same delivery month. In that event, they will be obligated to pay their respective dealers a "round-turn" commission. If, on the other hand, they elect to make or take delivery of the underlying commodity, they may be required to pay additional costs incidental to the delivery process. In the meantime, as long as the Holder or the Writer maintains his position in the Underlying Futures Contract, he will be required to maintain margin deposit at rates set by the Commodity Futures Exchange or at such higher rates as the dealer may require.

Expiration Date of Commodity Futures Options

The Expiration Date of a Commodity Futures Options is the last day on which the Holder can exercise his option by purchasing (in case of a Call Option) or selling (in case of a Put Option) the Underlying Futures Contract at the stated Exercise Price. If the Holder does not wish to exercise his option but believes that it would be profitable for him to effect an offsetting transaction, he should advise his dealer well in advance of the last trading day for that particular option so that the dealer will have sufficient time within which to execute his order. Similarly, if the Writer believes that it would be profitable for him to effect an offsetting transaction, he should give instructions to his dealer well ahead of the last trading day.

The last day of trading for a Commodity Futures Option is usually the date prior to the Expiration Date. Both the last day of trading and the Expiration Date are indicated on the contract specifications for each Commodity Futures Option (see "Contract Specifications"), and they often vary among the different options. You should always inform yourself about these terms of an option and, in particular, you should determine your dealer's policy with respect to the cut-off date prior to the last day of trading for each option during which they would accept orders to execute offsetting transactions. These cut-off dates are important, especially if you are considering offsetting your option position at a time close to the Expiration Date. If you miss the cut-off date established by your dealer, it might be extremely difficult for you to liquidate your position.

If the Holder chooses not to exercise his option or if, for some reason, he is unable to effect an offsetting transaction, the option will lapse on the Expiration Date and the Holder loses his right under the option. In that event, the Writer's obligation under the option is terminated.

Clearing

In order to assume the performance of obligations under Commodity Futures Options, traders in the Commodity Futures Exchanges are required to use the facilities of the appropriate clearing house to which all trades in options are reported daily following the close of each trading session and are marketed to the market for daily cash settlement. Members of the clearing house are also members of the corresponding Commodity Futures Exchange, but not all members of the exchange are clearing members.

When an option traded has been cleared with the clearing house, the contractual ties between the original Holder and the Writer of the option are severed. The clearing house becomes the principal liable to each clearing member who is party to such trade. Clearing members are themselves contractually obligated to the clearing house vis-a-vis the Holders or Writers they represent. Accordingly, the aggregate obligations of the clearing house to clearing members who represent Holders options are balanced by the aggregate obligations which clearing members who represent Writers of options owe to the clearing house.

Currency

Whether you plan to buy or sell a Commodity Futures Option, you should realize that some transactions are carried out in foreign currencies. Accordingly, if you are using Canadian Dollars in your transactions, you are exposed to the risks arising from the price fluctuations of foreign currencies in the foreign exchange market.

Commission And Other Transaction Costs

As the Holder of a Commodity Futures Option, in addition to the Premium that you pay for acquiring the option, you will pay commission to the dealer who purchased the option for you. If you offset your position through a closing sale transaction, you pay another commission. If you exercise your option and assume an opening long (in case of a Call Option) or short (in case of a Put Option) position in the Underlying Futures Contract, you will not be required to pay commission. However, when you subsequently close out your position in the Underlying Futures Contact, then you will pay your dealer a "round-turn" commission. As the Writer of a Commodity Futures Option, you only pay commission to the dealer who sold the option to you. If you offset your position through a closing purchase transaction, you pay another commission. If the option is exercised against you and you assume an opening short (in case of a Call Option) or long (in case of a Put Option) position in the Underlying Futures

Contract, you will not be required to pay commission. However, when you subsequently close out your position in the Underlying Futures Contract, you will then pay your dealer a "round-turn" commission. Commission rates vary among different dealers. In addition, there may be other charges and fees involved in each option transaction apart from the commission. You should ask your dealer about all the costs that may be incurred in options transactions and take them into account in considering whether or not to trade Commodity Futures Options.

Exchange And Clearing House

The Commodity Futures Options described in this Disclosure Statement are traded on Commodity Futures Exchanges which are regulated by the appropriate government agency under whose jurisdiction they are operating as such. Each exchange has its own Commodity Futures Option listed for trading on its auction market by its own members. Each exchange has by-laws and rules that regulate the trading of its own option for the maintenance of a fair and orderly market and for the protection of clients against fraudulent or wrongful activities of its members. Such rules may establish position and exercise limits and reporting requirements to prevent an imbalance in the market from arising. They may also require the broad dissemination of price and volume information in order to keep the public reasonably informed of trading activities with respect to particular Commodity Futures Options. All these exchanges require compliance with their by-laws and rules as a condition for membership or continuing membership. Each exchange also has its own clearing corporation to which all trades in their respective Commodity Futures Options are reported daily and matched to ensure that for each option purchased, there is a corresponding seller on the other side of the market. The clearing corporation facilitates settlement of obligations arising from each option transaction. Each clearing corporation, therefore, has its own rules designed for the orderly settlement of option trades.

The rules and regulations of the Exchange and their respective clearing houses vary from one another. They may also be changed from time to time, and such changes may even be given retroactive effect. Before you decide to trade Commodity Futures Options, you should ask your dealer about these matters because they can have a profound effect on your options transactions.

Contract Specifications

Each Commodity Futures Exchange fixes the terms and conditions of its Commodity Futures Option. These terms may include such items as trading units, permissable price fluctuations, exercise price, expiration dates, last day of trading, daily price limits, etc. Again, bear in mind that these terms vary among the different Commodity Futures

Options, and they may even be changed from time to time without notice. Contract specifications for commodity futures options are available upon request, if you want a copy of the specifications please contact your account executive.

FRIEDBERG MERCANTILE GROUP LTD.

Section 2: Risk Disclosure Statement

FOR FUTURES AND OPTIONS

This brief statement does not disclose all of the risks and other significant aspects of trading in futures and options. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures and options is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Futures

1. Effect of "Leverage" or "Gearing"

Transactions in futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared".

A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

2. Risk-reducing Orders or Strategies.

The placing of certain orders (e.g. "stop-loss" order, where permitted under local law, or "stop-limit" orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as "spread" and "straddle" positions may be as risky as taking simple "long" or "short" positions.

Options

3. Variable Degree of Risk

Transactions in options carry a high degree of risk.

Purchasers and sellers of options should familiarize themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options.

Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures above). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

Additional Risks Common To Futures and Options

4. Terms and Conditions of Contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures or options which you are trading and associated obligations (e.g., the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions or the time for exercise).

Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

5. Suspension or Restriction of Trading and Pricing Relationships Market conditions

(e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or "circuit breakers") may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss. Further, normal pricing relationships between the underlying interest and the future, and the underlying interest and the option may not exist. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.

6. Deposited Cash and Property

You should familiarize yourself with the protections accorded money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which has been specifically identifiable as your own will be prorated in the same manner as cash for purposes of distribution in the event of a shortfall.

7. Commission and Other Charges

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

8. Transactions in Other Jurisdictions

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to regulation which may offer different or diminished investor protection. Before you trade you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should ask the firm with which you deal for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

9. Currency Risks

The profit or loss in transactions in foreign currency denominated contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

10. Trading Facilities

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the orderrouting, execution, matching, registration or clearing of trades.

As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms.

Such limits may vary; you should ask the firm with which you deal for details in this respect.

11. Electronic Trading

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all. Your ability to recover certain losses which are particularly attributable to trading on a market using an electronic trading system may be limited to less than the amount of your total loss.

12. Off-exchange Transactions

In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks.

Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules.

Electronic Trading and Order Routing Systems Disclosure Statement*

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts you intend to trade.

Differences Among Electronic Trading Systems

Trading or routing orders through electronic systems varies widely among the different electronic systems. You should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations of the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

Risks Associated with System Failure

Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

Simultaneous Open Outcry Pit and Electronic Trading

Some contracts offered on an electronic trading system may be traded electronically and through open outcry during the same trading hours. You should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

Limitation of Liability

Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of FCM's and software and communication system vendors and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the exchanges. You should consult the rules and regulations of the relevant exchange(s) in order to understand these liability limitations.

**Each exchange's relevant rules are available upon request from the industry professional with whom you have an account. Some exchange's relevant rules also are available on the exchange's internet home page.*

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