

Updates to your TD Waterhouse
Canada Inc. Options Trading
Agreement, Derivatives Risk
Disclosure Statement, and
Best Execution and Fair Pricing
Client Disclosure



Background

Effective September 28, 2024, the *TD Waterhouse Canada Inc. Options Trading Agreement* (“Options Trading Agreement”) and *Best Execution and Fair Pricing Client Disclosure* (“Best Execution Disclosure”) have both been amended, and a new *Derivatives Risk Disclosure Statement* has been introduced, to comply with changes required by the Canadian Investment Regulatory Organization (“CIRO”). These changes are designed to modernize CIRO’s derivatives-related requirements, and to ensure consistency in the regulatory treatment of securities and derivatives.

For any questions, please contact your Investment Advisor.

Options Trading Agreement

The Options Trading Agreement contains new and clarifying rights and obligations regarding your options trading account. The key amendments are:

- Section 3 (Compliance with Regulations): You acknowledge that CIRO or other regulators may impose rules affecting existing or subsequent options transactions. We are obligated to inform regulators regarding position or exercise limit requirements, as well as report derivative positions or derivative transactions related data, if required by law or on request.
- Section 5 (Discretion): We have the right to impose trading or position limits, and the right to close out positions under specified conditions. We are obligated to obtain your consent before taking the other side in a transaction for you and to document such consent.
- Section 10 (Commission, Interest and Debts): You are obligated to pay us commission or any other compensation related to your trading in options, as applicable. You also agree to pay us interest on account debit balances, or on any credit extended to or maintained for you by us, and to promptly pay all debts owed to us.
- Section 11 (Authorizations): You acknowledge that you authorize us to use all or part of the Collateral to satisfy your debit and position obligations and to use your free credit balances for our own business purposes or to finance other client account debits.
- Section 15 (Correction of Errors): We clarify that we are obligated to address situations where errors and omissions occur.

The full text of the amended Options Trading Agreement is appended to this notice as Appendix 1.

Derivatives Risk Disclosure Statement

CIRO requires us to provide you with a new Derivatives Risk Disclosure Statement (which replaces the Risk Disclosure Statement for Futures and Options and the Disclosure Document for Recognized Market Options). The Derivatives Risk Disclosure Statement does not purport to contain disclosures on every risk applicable to derivatives.

The full text of the Derivatives Risk Disclosure Statement is appended to this notice as Appendix 2.

Best Execution Disclosure

The amended *TD Waterhouse Canada Inc. Best Execution and Fair Pricing Client Disclosure* is available at td.com/TDWBESTExecution. It includes details of our obligations to obtain the most favorable terms when transacting in options on your behalf in the marketplace.

Appendix 1: Options Trading Agreement

The risk of loss in trading exchange option contracts can be substantial. You should carefully consider whether such trading is suitable for you in light of your financial condition. In considering whether to trade, you should be aware that if you purchase an exchange option or an exchange futures option you may sustain a total loss of the premium and all transaction costs.

If we act as your agent in the purchase, sale or execution of exchange traded put or call options (“Options”) traded on stock or option exchanges, you agree to be bound by the following provisions and the provisions of the Cash Account Agreement and the Margin Account Agreement which are hereby incorporated by reference.

1. Financial Resources:

You understand the special risks pertaining to trading in Options. You declare that you have adequate financial resources to cover any such transaction in which you participate.

2. Governing Regulations:

Each transaction will be subject to the by-laws, regulations, rules, rulings and customs (whether in force at the time of the transaction or subsequently adopted) (herein called the “Regulations”) of the clearing corporation issuing the Option, the exchange on which the Option trades, CISO and any other regulatory body which may have jurisdiction. Each transaction will also be subject to our rules, regulations and customs for Options trading. You have read the Derivatives Risk Disclosure Statement.

3. Compliance with Regulations:

You will comply with all Regulations which may provide, without limitation, position limits, exercise limits, and margin requirements, and requirements for cash-only trades during certain periods such as the last 10 business days to expiry of an Option. We may also set maximum limits on short positions. You will comply with all Regulations, limits and requirements in effect or which may be passed or adopted by us. You acknowledge that CISO or other regulators may impose other rules affecting existing or subsequent transactions. You will not exercise a long position in any Option contract if you alone or with others, directly or indirectly, have or will have exercised within any five consecutive days, aggregate long positions in excess of the applicable limits. You acknowledge that we may be obligated to provide information to regulators regarding position limits or exercise limits, and derivative positions or derivative transactions related data, if required by law or on request.

4. Notice of Other Contract; Indemnity:

You will inform us of any Option transaction or contract you have entered into with any other broker, dealer, individual or other entity, prior to or at the same time with any Option transaction executed through us. You indemnify us for any loss or liability we suffer as the result of your failure to notify us of such transaction or contract.

5. Discretion:

We will have sole discretion to determine whether or not to accept any order from you for a trade in an Option. You acknowledge that we have no duty or obligation to exercise an Option belonging to you without your specific instructions to that effect. We have the right to impose trading limits and position limits as well as the right to close out positions under specified conditions. We may execute orders for you acting as principal on the other side of a transaction or as part of larger transactions for you and others. We may also act for other clients on the other side of a transaction as we may consider advisable, subject, however, to the rules of the applicable exchange. We are obligated to obtain your consent before taking the other side in a transaction for you and to document such consent. You agree to confirm any transactions in your account in which we act as a market maker or principal in the purchase or sale of Options. You agree that in any consent regarding the Option trade you will notify us if there is a dispute, within 10 days of placing the trade. You agree that any charge to you expressed as a commission for any purchase or sale of Options where we act as a market maker or principal will be a sum payable increasing the cost to you of such transactions.

6. Business Hours and Timely Instructions:

You may instruct us as to Option transactions through our office during local business hours and it will be executed when the applicable exchange is open for trading. Your instructions must allow sufficient time for us to complete the sale, close-out or exercise of any Options or any other action to be taken in connection with such Options. With respect

to expiring Options, you will instruct us by no later than 4:30 p.m. Eastern time on the last trading day of the Option or by such other time as we may advise by notice in writing to you. If the last day of trading of the Option occurs on a day where the market closes early, you will instruct us by no later than one (1) hour after the market has closed. If you fail to give us timely instructions, we may take any action with respect to an Option that we in our sole discretion determine should be taken.

7. Allocations:

We have established procedures for the allocation of Exercise Notices assigned to us regarding short positions in clients' accounts. The allocation will be on a random selection that is fair and equitable to our clients and consistent with the regulations, rules and policies of each exchange on which the option is traded.

8. Liability:

We will be responsible to you only for errors or omissions in the handling of orders for the purchase, sale, execution or expiration of an Option caused by our negligence, breach of Investment Dealer and Partially Consolidated Rules or applicable securities laws or willful misconduct.

9. Margin:

You will, at all times, maintain such margin as we may require from time to time. You will promptly meet all margin calls. The conditions under which we may apply your funds, securities or other property to satisfy your outstanding debts or margin calls are detailed in the Margin Account Agreement.

10. Commission, Interest and Debts:

You are obligated to pay us commission or any other compensation related to your trading in Options as applicable. You agree to pay us interest on account debit balances, or on any credit extended to or maintained for you by us. You will also promptly pay all debts owed to us.

11. Authorizations:

While any securities held in any of your Options Trading Accounts are retained by us as Collateral in accordance with Clause 4 of the Cash Account Agreement, you authorize us without notice to you, to:

- (a) raise money on or pledge all or part of the securities as security for our own indebtedness,
- (b) loan all or part of the securities for our purposes or as our security,
- (c) use all or part of the Collateral for your debit and position obligations,
- (d) use all or part of the Collateral for making delivery against a sale, whether short or otherwise, for our account or that of any other of our clients,
- (e) use your free credit balances for our own business purposes or to finance other client account debits, and
- (f) perform any credit checks we deem necessary.

12. Securities:

The term "securities" as used in the Cash Account Agreement, the Margin Account Agreement and in this Options Trading Agreement includes shares of stock, warrants or rights, options, bonds, notes, debentures, trust and deposit certificates, commodities (including contracts relating to commodities), gold and all other rights to property of any kind. "Securities" include those belonging to you that are in our possession or control, or in transit to or from us.

13. Advice of any Changes or Restrictions:

You will advise us of any changes in your Information, financial situation, or your investment needs and objectives. You agree to advise us of any restrictions in Option trading that may apply to you and advise us of any changes in such restrictions.

14. Protection of Your Position:

In case of any insolvency, death or attachment of any property, we may, regarding any open positions, take such steps as we consider necessary to protect ourselves against loss. Whenever we consider it necessary for our protection to sell any securities in our possession or to buy any securities of which your account may be short, or to buy or sell short Options for your account and your risk, such sale or purchase may be made in our sole discretion without advertising the same and without prior notice, demand, tender or call to you.

15. Correction of Errors:

We are obligated to address situations where errors and omissions occur. We are entitled to correct any error in filling an order to buy or sell an Option at market by filling such order at the market price in effect at the time such order should have been filled.

16. Waivers:

None of the provisions of this Options Trading Agreement will be considered to have been waived, modified or otherwise affected without express written agreement signed by our Designated Options Supervisor or our Alternate Options Supervisor. Failure to exercise any of our rights in any one or more instances shall not be considered a waiver of any such rights for the future.

17. Receipt of Risk Disclosure Statement:

You confirm that you have received the Derivatives Risk Disclosure Statement, which has been approved by CIRO.

18. Insider Status:

As per the Cash Account Agreement, you will inform us immediately of any circumstances under which you may be considered an insider of any reporting issuer of securities or any other issuer whose securities are publicly traded.

Appendix 2: Derivatives Risk Disclosure Statement

This risk disclosure statement does not disclose all of the risks and other significant considerations associated with trading in derivatives. In light of the variety of risks involved, you should undertake such transactions only if you understand the nature of the contracts, the contractual relationships into which you are entering and the extent of your exposure to risk. Trading in derivatives is not suitable for everyone and often entails a high level of risk. Trading in derivatives should be made with caution and you should carefully consider whether such transactions are appropriate for you in light of your personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon, and other relevant circumstances. You should consult with your own business, legal, tax and account advisers before engaging into such transactions.

You may lose more than the amount of funds deposited

A characteristic of many derivatives is that you are only required to deposit funds that correspond to a portion of your total potential obligations and yet your profits or losses are based on changes in the total value of the derivative. This inherent leverage characteristic means that losses incurred can greatly exceed the amount of funds deposited. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit. Your dealer may require you to deposit additional funds on short notice to maintain your position as the value of the derivative changes. If you fail to deposit these funds, your dealer may close out your position at a loss without warning and you will be liable for any resulting deficit in your account.

Using borrowed funds carries greater risk

Using borrowed funds to finance a derivatives transaction involves greater risk than using cash resources only. If you borrow money, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the derivative declines.

Deposited cash and property

You should familiarize yourself with the protections accorded to 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.

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.

Fluctuations in price or value

The price and value of derivatives can be adversely affected by volatile market conditions and such occurrences may significantly increase your risk exposure. There are a variety of market factors and conditions which can directly or indirectly affect derivatives such as market demand and supply, interest rate, foreign currency exchange rate, indices, commodity prices, equity prices, investor perception and other political or economic factors. Since derivatives are linked to one or multiple underlying interests, the price or value of the derivatives may also be subject to considerable fluctuations due to the risks associated with the underlying interest. The level of sensitivity of an underlying interest with specific market conditions can have wide implications on the value of derivatives linked to that underlying interest. For example, when two or more factors are affecting one or more underlying interests of a derivative, its value may become unpredictable. A small movement in the price of one underlying interest can cause a sudden and large fluctuation in a derivative's value.

Hedging and risk-management strategies

Hedging transactions may require constant monitoring. A failure to adjust your hedging transaction in light of changing market conditions may result in the position becoming either under-hedged or over-hedged and losses can ensue.

The placing of certain orders (e.g. "stop-loss" 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.

Listed derivatives

Under certain market conditions, you may find it difficult or impossible to liquidate or offset an existing position on a marketplace (e.g. buy-to-close or sell-to-close order). This can occur, for example, when the market reaches a daily price fluctuation limit ("daily price limit" or "circuit breakers").

You should ask your dealer about the terms and conditions of the specific derivatives which you are trading and associated obligations. Under certain circumstances the specifications of outstanding contracts may be modified by the marketplace or clearing house to reflect changes in the underlying interest.

Over-the-counter derivatives

Over-the-counter derivatives (OTC derivatives) trading is not done on a marketplace. Your dealer is your trading counterparty. When you sell, your dealer is the buyer and when you buy, your dealer is the seller. As a result, when you lose money trading, your dealer may be making money on such trades, in addition to any fees, commissions, or spreads it may charge.

An electronic trading platform for trading OTC derivatives such as contracts for difference and foreign exchange contracts is not a marketplace. It is an electronic connection for accessing your dealer. You are accessing that trading platform only to transact with your dealer. You are not trading with any other entities or clients of the dealer by accessing such platforms. The availability and operation of any such platform, including the consequences of the unavailability of the trading platform for any reason, is governed only by the terms of your account agreement with the dealer.

You are limited to your dealer to offset or liquidate any trading positions since the transactions are not made on a marketplace. As such, it may be difficult or impossible to liquidate an existing position. The customized nature of certain OTC derivatives may also add to illiquidity.

The terms of OTC derivative contracts are generally not standardized, and the prices and characteristics are often individually negotiated with your dealer. A central source to obtain or compare prices may not exist. It may be difficult to assess the value, to determine a fair price or to assess the exposure to risk. You should ask your dealer about the terms and conditions of the OTC derivative contracts you are trading and understand the related rights and obligations.

