

SUPPLEMENTARY AGREEMENT TO THE DECLARATION OF TRUST ESTABLISHING A LIFE INCOME FUND UNDER A NATIONAL BANK FINANCIAL INC. RETIREMENT INCOME FUND (SCHEDULE 1.1 OF THE REGULATION)
RECITALS:

- A.** The Annuitant is entitled pursuant to the Act and the Regulation to effect a transfer to the Fund of amounts derived, directly or indirectly, from a pension plan governed by the provisions of the Act, or any other source acceptable under the Act and the Regulation (the "Transfer");
- B.** Prior to the Transfer the Annuitant has obtained the written consent of his or her Spouse, if not separated from the Annuitant, and if the money to be transferred herein is derived, directly or indirectly, from a pension benefit provided in respect of any employment of the Annuitant;
- C.** The Annuitant has established a National Bank Financial Inc. Retirement Income Fund with Natcan Trust Company, 800, Saint-Jacques Street, Montreal, Quebec H3C 1A3 (the «Trustee») and wishes same to receive the Transfer;
- D.** The Transfer cannot be made unless the conditions herein are satisfied;
- E.** The parties now wish to supplement the Declaration with the provisions of this Agreement in order to comply with the requisite locking-in conditions. In the event of any conflict between the provisions of the Declaration and this Agreement, the provisions of this Agreement shall prevail.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. Definitions: In this Agreement, all capitalized terms not otherwise defined herein shall have the same meaning as in the Declaration. In addition, the following terms shall have the following meaning:

- a) "Act"** means the *Pension Benefits Act* (Ontario), as same may be amended from time to time;
- b) "Agent"** National Bank Financial Inc. designated as such in accordance with the terms of this Agreement;
- c) "Declaration"** means the Declaration of Trust of the National Bank Financial Inc. Self-Directed Retirement Income Fund executed between the Annuitant and the Trustee;
- d) "Declaration about a Spouse"** means any of the following documents:
- A statement signed by the Annuitant's Spouse, if any, that the Spouse consents to the withdrawal or transfer;
 - A statement signed by the Annuitant attesting to the fact that he or she does not have a Spouse; or
 - A statement signed by the Annuitant attesting to the fact that he or she is living separate and apart from his or her Spouse on the date the Annuitant signs the application to make the withdrawal or transfer;
- e) "Fiscal Year"** in connection with this Fund means a calendar year terminating on December 31, and will not exceed twelve months;
- f) "Fund"** refers to the National Bank Financial Inc. Retirement Income Fund established by the Declaration executed between the Annuitant, National Bank Financial Inc. and the Trustee, as supplemented and modified by this Agreement establishing a LIF that will hold the locked-in money that is the subject of the Transfer;
- g) "LIF"** means a prescribed retirement savings arrangement, known as a life income fund, that is a RIF that meets the conditions set out in Schedule 1 or in Schedule 1.1 of the Regulation;
- h) "Life Annuity"** means an insurance contract under which an annuity will be provided to the Annuitant or his Spouse that complies with the relevant provisions of the Tax Act and section 22 of the Regulation, provided that the annuity shall not differentiate on the basis of the sex of the beneficiary unless otherwise permitted under the Regulation;
- i) "LIRA"** means a prescribed retirement savings arrangement, known as a locked-in retirement account, that is a registered retirement savings plan, within the meaning in the Tax Act, that meets the conditions set out in Schedule 3 of subsection of the Regulation;
- j) "LRIF"** means a prescribed retirement savings arrangement, known as a locked-in retirement income fund, that is a RIF that meets the conditions set out in Schedule 2 of the Regulation;
- k) "Minimum Amount"** means the minimum amount that is required to be paid out of the Fund as determined under the Declaration, which must not be less than the minimum amount prescribed for an RRIF under the Tax Act;
- l) "Maximum Amount"** means the maximum amount referred to in Section 6.c) hereof;
- m) "Regulation"** means *R.R.O. 1990, Regulation 909* adopted pursuant to the Act, as same may be amended from time to time;
- n) "RIF"** means a retirement income fund within the meaning of the Tax Act that is registered under that act;
- o) "Spouse"** shall have the meaning assigned to such term under the Act but does not include any person who is not recognized as a spouse or a common-law partner for the purposes of any provision of the Tax Act respecting a RIF;
- p) "Tax Act"** means the *Income Tax Act* (Canada) and the regulations adopted thereunder;
- q) "Transfer"** means the transfer referred to in paragraph A of the Recitals hereto.

2. Purpose of the Fund: The Fund must be purchased using all or part of the amount under clause 42(1)(b) of the Act or under paragraph 2 of subsection 67.3 (2) of the Act, or using all or part of the assets in a LIF, LIRA or LRIF. Except as permitted by the law, all money that is the subject of the Transfer, including all investment earnings thereon and gains realized thereof, but excluding all fees, charges, expenses and taxes charged to this Fund, shall be used to provide the Annuitant with periodic payments.

3. Value of the Fund: The value of all assets in the Fund owned by the Annuitant when the Annuitant signs the application shall be determined in

accordance with the most recent statement about each fund or account given to the Annuitant. Each such statement must be dated within one year of the execution of the application by the Annuitant.

The fair market value of the assets held under the Fund as determined by the Trustee in good faith shall be used to calculate the balance of the money and assets held under this Fund.

The value of the assets in the Fund is subject to the division in accordance with the terms of an order under the *Family Law Act* (Ontario), a family arbitration award or a domestic contract. An order under Part I (Family Property) of the *Family Law Act* (Ontario), a family arbitration award or a domestic contract is not effective to the extent that it purports to entitle a Spouse or former Spouse of the Annuitant to the transfer of a lump sum that exceeds 50 per cent of the assets in the Fund, determined as of the family law valuation date.

4. Investments: The money and assets held under this Fund shall be invested by the Trustee, either directly or through an Agent, in the manner provided in the Declaration. All investments of money or assets held under this Fund must comply with the rules for the investment of RIF money contained in the Tax Act.

5. Restrictions: The Annuitant agrees not to assign, charge, anticipate or give as security money payable hereunder except as required by an order under the *Family Law Act* (Ontario), a family arbitration award or by a domestic contract.

6. Payments: Except as permitted by the law, payments to the Annuitant hereunder shall be determined under the Declaration and shall comply with the following conditions:

- a) Commencement of Payments:** Payments out of the Fund must begin:
- no earlier than the earliest date on which the Annuitant is entitled to receive a pension under any pension plan from which money was transferred into the Fund directly or indirectly;
 - despite subsection i), Payments must begin no earlier than the date on which the Annuitant reaches 55 years of age, if none of the money in the Fund is derived directly or indirectly, from a pension benefit provided in respect of any employment of the Annuitant; and
 - no later than the end of the second Fiscal Year of the Fund.

b) Annual Payments: The Annuitant must notify the Trustee of the amount (such amount being no lower than the Minimum Amount and no higher than the Maximum Amount) to be paid out of the Fund each year no later than January 1 of the year to which it relates. Such notice expires on December 31 of the year to which it relates. If the Annuitant does not thereby notify the Trustee, the Annuitant will be deemed to have decided to receive the Minimum Amount with respect to such year and the Trustee will thereby pay the Minimum Amount out of the Fund in such year.

c) Maximum Amount: The amounts of income paid during a Fiscal Year out of the Fund must not exceed the greatest of the following amounts:

- The investment earnings, including any unrealized capital gains or losses, of the Fund in the previous Fiscal Year.
- If the money in the Fund is derived from money transferred directly from another LIF or LRIF, and if the income is being paid out of the Fund in the Fiscal Year following the Fiscal Year in which the Fund is established, the sum of,
 - the investment earnings, including any unrealized capital gains or losses, of the transferring LIF or LRIF in the previous Fiscal Year; and
 - the investment earnings, including any unrealized capital gains or losses, of the Fund in the previous Fiscal Year.
- The amount calculated in accordance with the following formula:

$$C/F = \text{Maximum Amount}$$

where

"C" = is the value of the assets in the Fund at the beginning of the Fiscal Year; and

"F" = is the present value, at the beginning of the Fiscal Year, of an annuity of \$1 payable annually in advance over the period commencing at the beginning of the Fiscal Year and ending on December 31 of the year in which the Annuitant reaches 90 years of age.

The following interest rate assumptions are to be used to determine the amount "F":

- i) The interest rate for each of the first 15 Fiscal Years of the period referred to in the definition of "F" is the greater of 6 % and the nominal rate of interest on long-term bonds issued by the Government of Canada for November of the year before the beginning of the Fiscal Year, as determined from the Canadian Socio-Economic Information Management System (CANSIM) series V122487 compiled by Statistics Canada and available on the website maintained by the Bank of Canada; and
- ii) For the 16th and each subsequent Fiscal Year of the period referred to in the definition of "F", the interest rate is 6%.

- d) **Maximum Amount on Transfer from LIF or LRIF:** Despite paragraph 6.c) above, if any money in the Fund is derived from money transferred directly or indirectly from another LIF or LRIF the Maximum Amount that may be paid out of the Fund in the Fiscal Year in which the money is transferred into the Fund is zero.
- e) **Maximum Amount for Short First Fiscal Year:** If the first Fiscal Year of the Fund is not 12 months long, the Maximum Amount determined under 6.c) above shall be adjusted in proportion to the number of months in that Fiscal Year divided by 12, with any part of an incomplete month counting as one month.
- f) **Minimum Amount:** The amount of income paid out of the Fund during a Fiscal Year must not be less than the Minimum Amount. If the Minimum Amount is greater than the Maximum Amount determined in this Section 6, the Minimum Amount shall be paid out of the Fund during the Fiscal Year.

7. Permitted Transfers Prior to Conversion: The Annuitant may transfer all or part of the assets held in the Fund either to:

- a) another LIF governed by Schedule 1.1 of the Regulation;
- b) purchase an immediate Life Annuity;

The Trustee may deduct from the property being transferred all amounts to be retained in application of the Tax Act, as applicable, as well as any fees and disbursements to which the Trustee is entitled.

Such transfer shall be made within a period of 30 days from the receipt of written instructions from the Annuitant in a form deemed satisfactory by the Trustee, or within a reasonable time with respect to the transfer of assets held as securities whose term of investment extends beyond the 30-day period.

Once the transfer is completed in compliance with all conditions relating thereto, the Trustee and the Agent shall be released from any liability in connection with this Fund to the extent of the transfer.

Notwithstanding the above, the Annuitant agrees that Trustee shall never be obliged to refund in advance the investments held under the Fund for purposes of transfer and may, at its entire discretion, either (i) delay the requested transfer, or (ii) where such investments consist of identifiable and transferable securities, effect the transfer by the remittance of such securities.

8. Conditions for Transfer: Before transferring money from this Fund as mentioned in section 7 hereof, the Trustee shall advise the transferee in writing that the amount transferred must be administered in accordance with the Act and this Regulation, and the transferee must agree to administer such amount transferred in accordance with the Act and the Regulation.

9. Purchase of a Life Annuity: The Trustee shall use any assets in the Fund to purchase an immediate Life Annuity, in accordance with the written instructions from the Annuitant in a form deemed satisfactory by the Trustee.

For the purpose of the Life Annuity purchased hereunder, a determination as to whether the Annuitant has a Spouse is to be made on the date the annuity is purchased.

Payments under a Life Annuity are subject to division in accordance with the terms of an order under the *Family Law Act* (Ontario), a family arbitration award or a domestic contract. An order under Part I (Family Property) of the *Family Law Act* (Ontario), a family arbitration award or a domestic contract is not effective to the extent that it purports to entitle a Spouse or former Spouse of the Annuitant to a share that exceeds 50 per cent of the payments under a Life Annuity, determined as of the family law valuation date.

10. Permitted withdrawals: Except as permitted by section 49 or 67 of the Act, section 22.2 of the Regulation or Schedule 1.1 of the Regulation, no withdrawal, commutation or surrender of money, in whole or in part, held in the Fund is permitted and will be void, except in the following circumstances:

a) **Withdrawal within 60 days of a transfer:** In relation to a transfer of assets made on or after January 1, 2010, if assets are transferred in the Fund from a pension fund, a LIRA, a LRIF or another LIF, the Annuitant may either withdraw from the Fund or transfer from it to an RRSP or RRIF, an amount representing up to 50 per cent of the total market value of the assets transferred into the Fund (calculated on the day of the transfer).

The application for the withdrawal of transfer must be in accordance with section 8 of the Regulation's Schedule 1.1, and must be given by the Annuitant within 60 days after the assets are transferred into the Fund. If such assets fund consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

Despite the above, if the assets are transferred into the Fund from another LIF governed by Schedule 1.1 of the Regulation or from a LRIF, the Annuitant cannot make a withdrawal or transfer described in the present paragraph 10a) unless the transfer into the Fund was made in accordance with the terms of an order under the *Family Law Act*, a family arbitration award or a domestic contract.

b) **Withdrawal of Small Amount at 55:** The Annuitant may withdraw all of the money in the Fund or transfer the assets to an RRSP or RRIF, upon application by the Annuitant in accordance with section 9 of Schedule 1.1 of the Regulation and if the following conditions are met at the time of execution of the application:

- i) the Annuitant has attained the age of 55 years of age; and
- ii) the value of all assets in all LIFs, LRIFs and LIRAs owned by the Annuitant determined using the most recent statement about each fund or account given to the Annuitant (Each such statement being dated within one year before the Annuitant signs the application) is less than 40% of the Year's Maximum Pensionable Earnings for the calendar year in which the application is made.

If assets in the Fund consist of identifiable and transferable securities, the Trustee may transfer the securities with the consent of the Annuitant.

c) **Shortened Life Expectancy Withdrawal:** The Annuitant may withdraw all or part of the money in the Fund, upon application by the Annuitant in accordance with section 11 of Schedule 1.1 of the Regulation and if the following conditions are met:

- i) at the time of execution of the application, the Annuitant has an illness or physical disability that is likely to shorten the Annuitant's life expectancy to less than two years;
- ii) the application, signed by the Annuitant and accompanied by a statement signed by a physician who is licensed to practice medicine in a jurisdiction in Canada that, in the opinion of the physician, the Annuitant has an illness or physical disability that is likely to shorten the Annuitant's life expectancy to less than two years.

d) **Non-resident withdrawal:** Subject to the term of the investment held in the Fund, the Annuitant may withdraw all the money in the Fund, upon application by the Annuitant in accordance with section 10 of Schedule 1.1 of the Regulation if the following conditions are met:

- i) at the time of execution of the application, the Annuitant is a non-resident of Canada as determined by the Canada Revenue Agency for the purposes of the Tax Act; and
- ii) the application is made at least 24 months after the Annuitant's date of departure from Canada; and
- iii) the application is signed by the Annuitant and accompanied by a written determination from the Canada Revenue Agency that the Annuitant is a non-resident for the purposes of the Tax Act.

e) **Financial Hardship Withdrawal:** The Annuitant may, upon application in accordance with the section 11.1, 11.2, 11.3 or 11.4 of Schedule 3 of the Regulation, withdraw all the money in the Fund if the following conditions are met:

- i) The Annuitant, his or her spouse, or a dependant has incurred or will incur medical expenses relating to an illness or physical disability of any of them.

The application is signed by the Annuitant and accompanied by the following documents:

- 1) A statement signed by a physician or dentist, as applicable, indicating that, in his or her opinion, the expenses claimed are or were necessary for the person's treatment. The physician or dentist must be licensed to practise medicine or dentistry, as the case may be, in a jurisdiction in Canada.
- 2) A copy of the receipts or the estimate to account for the total amount of the medical expenses being claimed.

Only one application may be made under section 11.1 of Schedule 3 of the Regulation during a calendar year in respect of a particular person. The application must specify the amount to be withdrawn from the Fund. The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of «X» and «G» where,

«X» is 50 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

«G» is the sum of the amount of the person's medical expenses that have been incurred and an estimate of the total amount of the person's medical expenses for the 12 months after the date on which the application is signed.

«dependant» a person who was dependent on the Annuitant or the Annuitant's spouse for support at some time during the calendar year in which the application is signed or during the previous calendar year.

«medical expenses» means (a) expenses for goods and services of a medical or dental nature; and (b) expenses incurred or to be incurred for renovations or alterations to the Annuitant or the dependant's principal residence and any additional expenses incurred in the construction of a principal residence made necessary by the illness or physical disability of the Annuitant, his or her spouse or a dependant.

- ii) The Annuitant or his or her spouse has received a written demand and the Annuitant could face eviction if the debt or amount in default described hereunder remains unpaid:
 - 1) arrears in the payment of a rent on the Annuitant's principal residence;
 - 2) a default on a debt that is secured against the Annuitant's principal residence.

Only one application may be made under section 11.2 of Schedule 3 of the Regulation during a calendar year. The application signed by the Annuitant must be accompanied by a copy of the written demand as the case may be. The application must specify the amount to be withdrawn from the Fund. The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of «X» and «H» where,

«X» is 50 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

«H» is, with respect to arrears in the payment of rent, the sum of the total amount of arrears of rent and the total amount of rent payable for a period of 12 months or, with respect to a default on a secured debt, the sum of the total amount of the payments that are in default and the total amount of payments due and interest payable on the debt for the 12 months after the date on which the application is signed.

«principal residence» means, a premises, including a non-seasonal mobile home, that is occupied by an individual as his or her primary place of residence.

- iii) The Annuitant or his or her spouse requires money to pay the first and last months' rent to obtain a principal residence for the Annuitant.

Only one application may be made under section 11.3 of Schedule 3 of the Regulation during a calendar year. The application signed by the Annuitant must be accompanied by a copy of the rental agreement, if available. The application must specify the amount to be withdrawn from the Fund. The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is the lesser of «J» and «K» where,

«J» is 5 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

«K» is the amount required for the first and last months' rent.

«principal residence» means a premises, including a non-seasonal mobile home, that is intended to be occupied by an individual as his or her primary place of residence.

- iv) The Annuitant's expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed is 66 2/3 per cent or less of the Year's Maximum Pensionable Earnings for the year in which the application is signed.

The application signed by the Annuitant must be accompanied by a statement, signed by the Annuitant, setting out the amount of his or her expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed.

Only one application may be made under section 11.4 of Schedule 3 of the Regulation during a calendar year. The application must specify the amount to be withdrawn from the Fund. The minimum amount that may be withdrawn from the Fund with respect to an application is \$500 and the maximum amount is calculated using the formula «X»-«L» in which:

«X» is 50 per cent of the Year's Maximum Pensionable Earnings for the year in which the application is signed, and

«L» is 75 per cent of the Annuitant's expected total income from all sources, before taxes, for the 12 months after the date on which the application is signed.

- 11. Conditions for withdrawal:** All applications described under section 10 herein, to withdraw money or transfer assets from the Fund, must be written on a form approved by the Superintendent. The Trustee shall make the payment or transfer within 30 days after receiving the completed application and the accompanying documents required as the case may be.

The Trustee is entitled to rely upon the information provided by the Annuitant in the application to withdraw money or transfer assets from the Fund and gives the Annuitant a receipt for all documents received, stating the date on which it was received.

All applications must be accompanied by one of the following documents:

- a) a Declaration about a Spouse; or
- b) a statement signed by the Annuitant attesting to the fact that none of the money in the Fund is derived, directly or indirectly, from a pension benefit provided in respect of any employment of the Annuitant.

For all applications made under section 10e) hereof, when a document is required, it is a nullity if signed or dated more than 12 months before the

Trustee receives it. All such applications must also be accompanied by a statement, signed by the Annuitant, that he or she understands that any money released under this section will not be exempt under section 66 of the Act from execution, seizure or attachment.

- 12. Death of the Annuitant:** On the death of the Annuitant, the Annuitant's spouse or if there is none or if the spouse is otherwise disentitled, the Annuitant's named beneficiary or, if there is none, the Annuitant's estate is entitled to receive a benefit equal to the value of the assets in the Fund. The benefit described may be transferred to an RRSP or an RRIF in accordance with the Tax Act.

The Annuitant's spouse is not entitled to receive the value of the assets in the Fund unless the Annuitant was a member or former member of a pension plan from which assets were transferred directly or indirectly to purchase the Fund. The Annuitant's spouse living separate and apart from the Annuitant on the date of the Annuitant's death is not entitled to receive the value of the assets in the Fund.

The Annuitant's spouse may waive his or her entitlement to receive the survivor's benefit above mentioned from the Fund by delivering to the Trustee a written waiver in a form approved by the Superintendent. The Annuitant's spouse who has delivered a waiver may cancel it by delivering a written and signed notice of cancellation to the Trustee before the date of the death of the Annuitant.

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

For the purposes of this section, the value of the assets in the Fund includes all accumulated investment earnings, including any unrealized capital gains and losses, of the Fund from the date of death until the date of payment.

- 13. Amendments:** The Trustee must send a notice in writing to the Annuitant's latest address as set out in the records of the Trustee, indicating the nature of an amendment to this Agreement within 90 days of the effective date of the proposed amendment.

An amendment to this Fund may not be made if it would result in a reduction of the Annuitant's rights hereunder, unless such amendment is necessary to conform with any law and the Annuitant is entitled to transfer the assets in the Fund under the terms of this Supplemental Agreement existing before the amendment is made. The Annuitant has 90 days after the notice is given to transfer all or part of the assets in the Fund.

- 14. Statements:** The Trustee shall provide to the Annuitant, at the beginning of each Fiscal Year of the Fund, a statement containing the following information:

- a) The sums deposited, any accumulated investment earnings including any unrealized capital gains or losses, the payments made out of the Fund, the withdrawals taken out of the Fund and the fees charged against it during the previous Fiscal Year;
- b) The value of the assets in the Fund as of the beginning of the Fiscal Year;
- c) The Minimum Amount and Maximum Amount that must be paid out of the Fund to the Annuitant during the current Fiscal Year.

If the assets in the Fund are transferred pursuant to Section 7 hereof, the Trustee shall provide the information described in this Section 14 determined as of the date of the transfer. Upon the death of the Annuitant, Trustee shall provide to the person entitled to receive the death benefits under Section 12 the information described in this Section 14 determined as of the date of the Annuitant's death.

- 15. Representations and warranties of the Annuitant:** The Annuitant represents and warrants to the Trustee the following:

- a) That the pension legislation applicable and governing the Transfer at such time is the Act and Regulation;
- b) That the amounts transferred herein are locked-in amounts resulting directly or indirectly from the commuted value of the Annuitant's pension entitlements and the Annuitant is entitled to effect a transfer of his or her pension entitlements pursuant to the Act or the Regulation;
- c) That the provisions of the pension plan do not prohibit the Annuitant from entering into this Agreement and, in the event that such prohibition does exist, the Trustee shall not be liable for the consequences to the Annuitant of executing this Agreement nor for anything done by the Trustee in accordance with the provisions hereof; and
- d) That the commuted value of the pension benefits that was transferred herein was not determined on a basis that differentiated on the basis of sex, unless otherwise indicated in writing to the Trustee in respect of pension benefits accrued before 1987.

- 16. Governing law:** This Agreement shall be governed by the laws of the province of Ontario.

