

FUNDSERV INC.

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**Penalties for Payment Delay and Default**

**January 1, 2009**

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When an N\$M customer is late in making a payment (i.e., FundSERV has not received a commission payment by 12:00 noon Toronto time or a trade payment by 1:00 p.m. Toronto time), it has an adverse impact on all other customers. To deter late payments and offset any related costs, FundSERV charges fees on an escalating basis for late payments.

**Late settlement penalties (over a rolling 12-month period)**

- \$1500 for the first late settlement,
- \$3000 for the second late settlement,
- \$5000 for the third late settlement,
- A fourth late settlement will result in the matter being referred to the FundSERV Board for review.

Settlement cutoff times remain the same: 12:00 p.m. Toronto-time for commission settlements, and 1:00 p.m. Toronto-time for trade settlements.

**Non-settlement penalties (over a rolling 12-month period)**

If you know you will be unable to make settlement and inform FundSERV in writing no later than 11:00 a.m. Toronto-time, the penalty for non-settlement remains at \$5000. Such notice generally gives FundSERV sufficient time to contact affected counterparties of the pending default and to re-run the industry settlement process. Once FundSERV receives confirmation of a default in writing, it can not be reversed and the penalty will be levied.

However, if you do not inform FundSERV by 11:00 a.m., and subsequently default on your settlement, a \$10,000 penalty will be imposed for your first non-settlement, increasing to \$15,000 for the second instance, and \$20,000 for the third, over a rolling 12-month period. A fourth occurrence will result in the matter being referred to the FundSERV Board for review.

In addition to the penalties imposed, the customer is responsible for reimbursing FundSERV for all bank fees, expenses (including interest) and legal fees resulting from the default.

FundSERV reserves the right to suspend or terminate a customer for failure to meet payment deadlines, and imposition of these fees does not preclude FundSERV from suspending or terminating a customer.

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