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## OPTION ACCOUNT APPLICATION DOCUMENT

1. In order to process your application for an option trading account, please complete the information required in Section 1.
2. Please be sure to read the terms and conditions stated in the **OPTIONS AGREEMENT** in Section 2 and the **CUSTOMER DISCLOSURE STATEMENT** in Section 3.
3. **Date and sign this Application** in the space provided in Section 2.
4. Please complete any **ADDITIONAL DOCUMENTS** provided to you by our Registered Representatives.
5. Please retain a copy of this document for your records and return 2 copies to our Head Office.

We appreciate you taking the time to complete this application and we look forward to servicing your option account. Should you have any questions, our experienced staff will be happy to assist you.

**SECTION 1**

1. NAME Mr. \_\_\_\_\_  
Mrs. \_\_\_\_\_  
Miss \_\_\_\_\_  
(Please Print)

Home Address \_\_\_\_\_  
Street \_\_\_\_\_  
\_\_\_\_\_  
(City) (Province) Postal Code \_\_\_\_\_

Mailing Address \_\_\_\_\_  
Street \_\_\_\_\_  
\_\_\_\_\_  
(City) (Province) Postal Code \_\_\_\_\_

I.A. NO. 

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 ACCOUNT NUMBER 

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Home Telephone (    ) \_\_\_\_\_

Business Telephone (    ) \_\_\_\_\_

Social Insurance Number 

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2. Past Investment experience: Size of Account \$ \_\_\_\_\_ Made Short Sales: Yes  No

Securities Traded: Common Stock  Preferred Stock  Bonds  Rights-Warrants  Commodities

3. The Client's general investment objectives are:

**Please read this section which refers to all investments held through MF Global Canada Co. carefully before you complete it. The information you provide here will assist your Investment Advisor in determining what investments to recommend for your account(s).**

- I agree to allocate the following (approximate) percentage of my assets held in my accounts with your firm to relatively low risk, income-producing securities which may include, but is not limited to, government Treasury Bills, Canada Savings Bonds, Money Market Mutual Funds, and other higher quality, income-producing securities, with little or no reliance on margin: \_\_\_\_\_ % - Lower-risk, income-producing securities
- I agree to allocate the following (approximate) percentage of my assets held in my accounts with your firm to income-producing securities which bear higher risk than those described above, which may include, but is not limited to, moderate quality bonds and preferred shares, income trust units, and high-yielding, blue chip common stock, without relying extensively on the use of margin: \_\_\_\_\_ % - Moderate to higher-risk, income-producing securities
- I agree to allocate the following (approximate) percentage of my assets held in my accounts with your firm to moderate-risk securities, which may include, but is not limited to, non-speculative, growth-oriented common stock or mutual funds, without relying extensively on the use of margin: \_\_\_\_\_ % - Moderate-risk, growth-oriented securities
- I agree to allocate the following (approximate) percentage of my assets held in my accounts with your firm to speculative, higher-risk securities, which may include, but is not limited to, penny stock, higher risk mutual funds, options or warrants and higher-risk income trust units. This may also include any trading activity which utilizes a significant degree of margin, short selling and convertible hedging, or any strategy which encourages aggressive short-term trading in any security or involves a high degree of concentration in a particular security or security group. \_\_\_\_\_ % - Higher-risk, speculative securities and trading strategies

Signature: X \_\_\_\_\_ Date: \_\_\_\_\_

Signature: X \_\_\_\_\_ Date: \_\_\_\_\_

**100%** Percentages must total 100

4. Anticipated type(s) of Option transactions:	Account Restrictions <u>IMPOSED BY R.O.P.</u>
(a) Purchasing puts & calls ..... <input type="checkbox"/> Yes <input type="checkbox"/> No	Level (a) _____
(b) Covered writing ..... <input type="checkbox"/> Yes <input type="checkbox"/> No	Level (b) _____
(c) Spreading ..... <input type="checkbox"/> Yes <input type="checkbox"/> No	Level (c) _____
(d) Uncovered writing ..... <input type="checkbox"/> Yes <input type="checkbox"/> No	Level (d) _____

5. R.R.'s Comments: \_\_\_\_\_

\_\_\_\_\_

Signature of R.R. \_\_\_\_\_ Date \_\_\_\_\_

Branch Manager's Approval \_\_\_\_\_ Date \_\_\_\_\_

R.O.P. Approval \_\_\_\_\_ Date \_\_\_\_\_

NOTES: \_\_\_\_\_

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## **SECTION 2**

### **OPTIONS AGREEMENT**

#### **MF Global Canada Co.**

(hereinafter referred to as "MF Global")

In consideration of your opening (or continuing to maintain) one or more accounts ("Options Account") for the undersigned (however designated) for transactions in option contracts (including, without limitation, the purchase, sale, transfer, exercise and endorsement thereof) (hereinafter sometimes referred to as "Option Transactions") the undersigned hereby represents, warrants, covenants and agrees as follows:

1. The undersigned represents that all information furnished to you (whether herein or elsewhere) in connection with the opening of the Options Account is complete and accurate. This representation is a continuing representation and the undersigned recognizes his/her/its obligation to furnish, at or before entering any order for an Option Transaction, such additional information as may be necessary to make information previously furnished complete and accurate.
2. I/we agree to comply with all rules and regulations of the various regulatory bodies and exchanges (including without limitation the Toronto Stock Exchange and The Options Clearing Corporation) and your own firm policies pertaining to purchasing, selling, issuing or guaranteeing, options for my/our account. You are hereby authorized to take such action with respect to the Options Account and options contracts held therein, without notice to the undersigned, as you may deem necessary to comply with orders issued by any regulatory bodies, exchanges, boards, markets and/or clearing houses.
3. I/we understand that I/we will bear full responsibility for taking actions to exercise an option contract and you shall not be required to take any action with respect to an option contract including any action to exercise a valuation option prior to its expiration date, except upon express instructions of the undersigned. Notwithstanding the foregoing you are hereby authorized, but you are in no way obligated to sell or otherwise dispose of an option contract, or exercise an option, for my/our account and on my/our behalf, within two business days of the exercise date set forth in such option contract provided you have received no instructions from me/us either verbal or written relating thereto. Notwithstanding the foregoing, I/we understand that it is my/our obligation to instruct you to execute a closing transaction prior to the expiry date.
4. I/we shall honour all margin calls issued by MF Global relating to Option Transactions and it is understood that you may call me/us for margin whenever you deem it necessary or advisable for your protection.
5. If I/we fail to honour your margin calls immediately and fully, MF Global is authorized at its sole discretion, and without notification to me/us, to take any and all steps it may deem necessary to protect its positions (for any reason) in connection with option transactions for the account of the undersigned, including without limiting the generality of the foregoing the right to buy and sell short, for the account and risk of the undersigned, any part or all of the shares represented by options handled, purchased and/or endorsed by you for the account of the undersigned or to buy for the account and risk of the undersigned any option as you may deem necessary or appropriate. In addition, if I/we fail to make payment of any monies due you under this agreement you may, pursuant to a general lien on all or any of my/our accounts at MF Global, sell any securities or apply any credits held in any such accounts against my/our indebtedness to you under the terms of this agreement.
6. Any and all expenses incurred by you in connection with the foregoing may be debited to my/our account or shall be forthwith payable to me/us to you on demand.
7. I/we understand that MF Global has the right to exercise discretion as to whether any order is acceptable from time to time.
8. I/we am/are aware that MF Global's methods of allocating exercise assignment notices is on a first-in-first-out basis.
9. I/we understand that you shall not be liable to me/us for errors or omissions in the execution, handling, purchasing, exercising or endorsement of an option, or the failure to utilize your right to sell or exercise any option contracts within two business days of the expiry date of an option, for my account, unless caused by your gross negligence or wilful misconduct.
10. I/we am/are 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, an Approved Clearing Corporation may from time to time enact other rules affecting existing or subsequent transactions.
11. I/we am/are aware that MF Global's settlement date for Option Transactions may be earlier than those stipulated in any Prospectus and its operating hours may vary from time to time.
12. I/we acknowledge that certificates representing shares, being the subject matter of option transactions, may from time to time be held for the account of MF Global inside or outside the Province of Ontario.
13. I/we acknowledge that the mailing by MF Global of any notification, contract or statement of account shall be deemed to have been received by me/us on the day following such mailing and any errors or omissions relating to such notification, contract or statement of account must be notified to MF Global within ten (10) days following the date of mailing, failing which MF Global shall thereafter no longer be responsible for rectifying same.
14. I/we further understand that MF Global may in its discretion investigate my/our credit rating from time to time. I/we hereby authorize MF Global to make such enquires as it deems necessary in its discretion to verify such rating from time to time.
15. This agreement shall insure to the benefits of your successors, and assigns and shall be binding on the undersigned, his/her/its heirs, executors, administrators, successors or assigns.
16. The foregoing provisions shall be considered as supplementary to any customer's agreement which I/we may have signed.

**I ACKNOWLEDGE HAVING RECEIVED THE DISCLOSURE STATEMENT FOR RECOGNIZED MARKET OPTIONS.**

Date \_\_\_\_\_

Signature \_\_\_\_\_

## **SECTION 3**

# **DISCLOSURE STATEMENT for Recognized Market Options**

### **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 transactions 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 on 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 had 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 order-routing, 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.