LETTER OF UNDERTAKING FOR CASH MANAGEMENT PRE-AUTHORIZED DEBITS

This Agreement is made between RBC Direct Investing Inc. (the “Sponsoring Member”) and the undersigned client of the Sponsoring Member whose account at the Sponsoring Member is to be credited with the amount of a PAD (the “Payee”) with respect to the Sponsoring Member’s pre-authorized debit services described herein (the “Services”).

IN CONSIDERATION of the mutual agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Scope

This Agreement is subject to the terms of the Operation of Account Agreement between the Sponsoring Member and the Payee (the “Account Agreement”). The Payee’s use of the Services is governed by this Agreement (including all Schedules hereto), the Account Agreement and the terms and conditions contained in any related rules of operation.

2. Definitions and Interpretation

(a) Definitions. Unless otherwise defined herein, all capitalized terms used in the Agreement shall have the meanings given in the Account Agreement and CPA Rule H1.

In this Agreement:

“Account Agreement” has the meaning given in Section 1;

“CPA” means the Canadian Payments Association;

“CPA Rules” means the rules, standards, guidelines and directives of the CPA;

“MSB” means the carrying on or participating in any one of the following activities:

(i) currency dealing or exchanging;
(ii) cheque cashing;
(iii) issuing, selling or redeeming traveller’s cheques, drafts, money orders or any stored value medium (excluding gift cards that can be used only to purchase goods and services from the business that issued such cards); or
(iv) the accepting of currency or funds and the transmitting of such funds through a financial institution, or any other person engaged in a money service business or an electronic funds network;

provided that in the case of (i), (ii) and (iii) only, no such activity will be considered to be a MSB unless it shall include, on any day and with any one person, at least one transaction in an amount of not less than $1,000, and, for such purposes, any two or more transactions within a twenty-four (24) hour period with the same person will be considered to be a single transaction of not less than $1,000 if the aggregate amount of such two or more transactions shall be not less than $1,000. In addition to (i) to (iv) above, in every instance that a person holds a permit or a licence appertaining to a form of money service business activity not specifically enumerated in (i) to (iv) above or is registered as someone engaging in the activity of a money service business, advertises the activity of a money service business by way of or through the Internet, the yellow pages or other medium, or reports income from a money service business as income from a separate business for tax purposes, then such person shall be deemed to be engaged in a MSB;

“PAD” means a pre-authorized debit meeting the definition of a Cash Management PAD set out in CPA Rule H1;
“Payee” has the meaning given in the preamble to this Agreement;

“Restricted Business” means any person, or person controlled directly or indirectly by a person, that owns or operates an Internet / on-line gambling site or is a business engaged in or associated with an illegal or unlawful activity or any other improper business that the Sponsoring Member may, in its sole and absolute discretion, determine is a restricted business;

“Services” has the meaning given in the preamble to this Agreement; and

“Sponsoring Member” has the meaning given in the preamble to this Agreement.

(b) Interpretation. In this Agreement:

(i) references to this Agreement are intended to include the Schedules hereto from time to time;

(ii) references to any agreement (including this Agreement and the Schedules) or to any law, statute, regulation, guideline, policy, rule, standard, directive or otherwise are intended to include same as may be amended, restated, supplemented or otherwise modified from time to time;

(iii) references to any association, government, regulator, administrator, agency or other authority (including the CPA) are intended to include its successors;

(iv) the division of this Agreement into sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof;

(v) words denoting the singular number only shall include the plural and vice versa, words denoting the masculine gender shall include the feminine and neuter genders and vice versa, as the context otherwise permits;

(vi) the word “including” means “including without limitation” and the word “includes” means “includes without limitation”;

(vii) the words “hereto,” “herein,” “hereof,” “hereunder,” “this Agreement” and similar expressions mean this Agreement as a whole and not any particular Schedule, section or subsection unless the context otherwise requires; and

(viii) unless otherwise specified, all dollar amounts referred to in this Agreement are in lawful money of Canada.

3. Services

The Sponsoring Member will act as the Payee’s sponsoring member for processing PADs issued by or on behalf of the Payee in accordance with the terms and conditions of this Agreement.

4. Letter of Undertaking

This Agreement shall constitute the Payee’s Payee Letter of Undertaking for PADs and, in accordance with CPA Rule H1, the Payee hereby represents, warrants, covenants, agrees and guarantees to the Sponsoring Member as follows:

(a) Payor Approval. Each Payor on whose behalf any debit purports to have been drawn or direction purports to have been given shall have signed or otherwise duly Authorized and delivered to the Payee an authority instructing the Payee to issue debits and, where applicable, shall have given the Payee a direction pursuant to such an authority to issue a debit as though it were signed or otherwise duly Authorized by such Payor instructing such direction to be acted on as though it were a Written instruction signed by such Payor. The Payee undertakes to ensure that each Payor’s PAD Agreement and Authorization meets the requirements of CPA Rule H1, including Appendix II of CPA Rule H1. The Payee shall maintain all records of, and undertakes to make available, promptly on the request of The Sponsoring Member, a Payor or an authorized representative of the Payor (including the Processing Member), evidence of the authority of a Payor for whom the Payee has issued or caused to be issued any PAD, including each Payor’s PAD Agreement and Authorization.
(b) **Valid Signing Authority.** The Payee is solely responsible to ensure that each Payor’s PAD Agreement is signed or otherwise duly Authorized by the Payor in a form that constitutes proper authority for the Sponsoring Member and the Processing Member to debit the Payor’s designated account as may be set out in the Payor’s account agreement with its Processing Member.

(c) **Payor Acknowledgement Required.** The Payee represents that the Payee is also the Payor for the pre-authorized debits to be completed pursuant to this Agreement and, as Payor, the Payee hereby Authorizes the Processing Member to debit any account(s) which may be specified in a PAD Agreement between the Payor and the Payee. The Payee represents, warrants and covenants that this constitutes proper authority for the Processing Member to debit the Payor’s account(s) described above in accordance with the Payor’s account agreement with the Processing Member.

(d) **Sporadic PADs.** The Payee will not issue any PADs with a frequency that is Sporadic.

(e) **General Indemnity.** Except to the extent caused directly by the Sponsoring Member’s negligence, the Payee undertakes and agrees to hold harmless and to indemnify the Sponsoring Member and any applicable Processing Member against any and all losses, costs, fees (including reasonable legal and other professional fees and disbursements), damages, expenses, liabilities, claims, suits and demands whatsoever that the Sponsoring Member or any applicable Processing Member may suffer, incur or be under or that may be made or brought against the Sponsoring Member or any such Processing Member by reason of or in any way arising out of this Agreement, including the action in drawing and issuing any debit in connection with this Agreement.

(f) **Liability for Accuracy.** The Payee shall be solely responsible for the accuracy and completeness of all information furnished to the Sponsoring Member in connection with this Agreement, and the Sponsoring Member shall not be responsible in any way for errors resulting from the inaccuracy or incompleteness of any information furnished to the Sponsoring Member by the Payee or any other person on the Payee’s behalf. Without limiting the generality of subsection 4(e), the Payee undertakes and agrees to indemnify the Sponsoring Member for all amounts that may be erroneously paid by the Sponsoring Member and/or any Processing Member in respect of any PAD erroneously credited or debited by the Sponsoring Member and/or any Processing Member pursuant to any direction from or on behalf of the Payee.

(g) **Force Majeure.** The Sponsoring Member shall not be liable to the Payee or any other person for any delay, damage, penalty, cost, expense or inconvenience to the Payee or such other person resulting from the Sponsoring Member’s failure to perform the Services by reason of any cause beyond the Sponsoring Member’s control.

(h) **Payor’s Claim for Reimbursement.** The Payee undertakes and agrees to reimburse the Sponsoring Member and any Processing Member for payment of any claim, including any interest claim, made by a Payor or other person in accordance with the CPA Rules Manual, including any claim paid by the Sponsoring Member as a result of a Reimbursement Claim filed by a Payor or other person alleging that:

(i) the PAD was not drawn in accordance with the Payor’s PAD Agreement;
(ii) the Payor’s PAD Agreement was revoked; or
(iii) no Payor’s PAD Agreement ever existed between the person making the claim and the Payee with respect to a particular PAD.

(i) **Assignment.** This Agreement may not be assigned by the Payee, directly or indirectly, by operation of law, change of control or otherwise, without the prior written consent of the Sponsoring Member. No Payor’s PAD Agreement entered into by the Payee may be assigned by the Payee, directly or indirectly, by operation of law, change of control or otherwise, except:

(i) if the Customer has prominently displayed (e.g. in bold print, highlighted or underlined) an assignment clause in the Payor’s PAD Agreement and the Customer has provided to the Payor Written notice of the full details of such assignment, including the identity and contact information of the assignee; or
(ii) the Payee has provided to the Payor prior Written notice of the full details of such assignment, including the identity and contact information of the assignee, a minimum of ten (10) days in advance of the next PAD being issued in the assignee’s name.
(j) **Name Change.** The Payee shall provide a minimum of ten (10) days Written notice to the Sponsoring Member and the Payor in advance of the next PAD, where Payee’s name has changed.

(k) **CPA Rules.** The Payee understands, and agrees to be bound by, comply with, respect and apply all relevant provisions of, the Canadian Payments Act and all related by-laws, rules, and standards in force from time to time as they apply to PADs, including cancellation requirements as set out in CPA Rule H1.

(l) **Cancellation.** Without limiting the generality of subsection 4(k), the Payee hereby agrees that, subject to the expiry of any reasonable cancellation notice period (not to exceed thirty (30) days) that has been clearly set out in any agreement between the Payor and the Payee (including in an applicable Payor’s PAD Agreement), on receipt by the Payee of any Written or oral communication from a Payor clearly instructing the Payee to cease issuing PADs or otherwise revoking a Payor’s PAD Agreement or an Authorization to issue PADs, the Payee shall use best efforts to cancel the PAD in the next business, billing or processing cycle, but shall (within not more than thirty (30) days) from the notice cease to issue any new PADs against that Payor and not issue any further PADs against that Payor unless and until that Payor provides the Payee with a new Payor’s PAD Agreement.

(m) **Notices of Change.** The Payee undertakes and agrees to:

(i) accept and act on notice of change of a Payor’s payment routing information that it receives from the Sponsoring Member that was provided to the Sponsoring Member by the Payor’s Processing Member in relation to an administrative change to that information by the Processing Member pursuant to CPA Rule F12 that does not involve changing that Processing Member; and

(ii) deem such notice of change to be that Payor’s authorization to change its relevant payment routing information, provided that the Sponsoring Member shall be responsible to the Payee only for the accuracy of information provided in any such notice of change that the Sponsoring Member provides to the Payee.

(n) **Re-presentment.** In the event of the return of a PAD for reason of “Non-Sufficient Funds” or “Funds Not Cleared”, the Payee may re-present the PAD electronically on a one-time basis for the same amount as the original PAD, and provided that such PAD is re-presented within thirty (30) days. Any such re-presentment of a PAD shall not contain interest, NSF charges or any other charges in addition to the amount of the original PAD.

(o) **Other Obligations.** The Payee agrees to make the terms and conditions of each Payor’s PAD Agreement available to the Payor, and, where possible, the Payee will provide each Payor with a copy of the Authorization signed by the Payor.

5. **Payor/Third Party Disputes**

The Payee will respond to and shall be primarily responsible for all inquiries, requests, questions, complaints, disputes, claims and other issues from or relating to Payors, and agrees to take all necessary action, at its own cost and expense, to ensure that the Sponsoring Member is not subject thereto.

6. **Applicable Laws, Etc.**

The Payee represents, warrants and covenants to the Sponsoring Member that the Payee, each PAD and the Payee’s use of the Services complies with applicable laws. The Sponsoring Member may, at its option, from time to time, and without any notice to the Payee, any Payor or other person, monitor and examine all aspects of PADs and, at the Sponsoring Member’s sole discretion, the Sponsoring Member may:

(i) reject, delete, block, freeze, seize or take such other action as required by applicable laws with respect to any PAD or related transaction;

(ii) decline or reject any PAD if the Sponsoring Member determines, in its sole and absolute discretion, that the payment may not comply with this Agreement, the Payee is engaging in fraudulent, unlawful or improper activity, or an error or mistake has occurred; or

(iii) notify and provide data and information to governmental, legal or other authorities regarding the foregoing, the Payee, a Payor or PAD.
The Sponsoring Member will not have any liability for any action taken or not taken by the Sponsoring Member in connection with the foregoing.

7. **No MSB, Restricted Business or Third Parties**

Unless otherwise agreed in writing by the Sponsoring Member for the purpose of this Agreement, the Payee represents, warrants and covenants to the Sponsoring Member that it is not engaged in, and will not use the Services in connection with, directly or indirectly, a MSB or Restricted Business. Without limiting the foregoing, and unless otherwise agreed in writing by the Sponsoring Member for the purpose of this Agreement, the Payee will not use the Services to make payments, directly or indirectly, for or on behalf of any other person.

8. **Other Prohibitions on Use**

Without limiting any other provision of this Agreement, the Payee will not access or use the Services for any fraudulent or unlawful or improper activity, including for any malicious or defamatory purpose, or take any action that could undermine the security, integrity, effectiveness, goodwill or connectivity of the Services, including any activity that could threaten or cause harm to the Sponsoring Member or any other person.

9. **Security**

The Payee is responsible for establishing, implementing and maintaining procedures to safeguard against unauthorized transmissions to the Sponsoring Member, and will ensure that no PAD instructions are sent to the Sponsoring Member in the absence of proper supervision and safeguards.

10. **Unauthorized Transmissions**

The Payee assumes full responsibility for the confidentiality and protection of the security procedures, identification numbers, test keys and other security codes or devices and other software and information provided by the Sponsoring Member in connection with the Services. The Payee shall be solely responsible for any unauthorized transmissions, and the Payee agrees to notify the Sponsoring Member immediately, followed by written confirmation, of any unauthorized disclosure of information, unauthorized transmission of PADs or other actual or potential use of the Services in a manner contrary to this Agreement. The provision of such notice, however, shall not affect any PADs processed in good faith by the Sponsoring Member prior to receipt of such notification, or the Payee’s responsibility hereunder.

11. **Unsecure Electronic Communication**

The Payee acknowledges and agrees that if it uses, or if it authorizes and directs the Sponsoring Member to use, email, facsimile, electronic data interchange or any unencrypted form of electronic communication in connection with the Services, the security, reliability, privacy and confidentiality of such communication cannot be ensured. Any such communication could be subject to interception, loss or alteration, and may not be received by the intended recipient in a timely manner or at all. The Payee assumes full responsibility for the risks associated with such communication, and shall notify Payors and the intended recipients of the communication methods that it uses or has authorized and directed the Sponsoring Member to use in connection with the Services.

Subject to the foregoing, the Payee hereby agrees that the Sponsoring Member may deliver to the Payee information, service reports and data relating to the Services, including information and data pertinent to the Payee and the Payors or to the receivers of the transmission, using the unsecure methods of communication described above.

12. **Notices**

The Sponsoring Member may deliver any notice in connection with the Services, including notice of the fees and changes to the fees relating to the Services, in the message centre of the Sponsoring Member’s website or to the Payee’s email or mailing address last shown on the Sponsoring Member’s records.
13. Amendments

The Sponsoring Member may amend, supplement, restate or otherwise modify this Agreement or the related rules of operation by providing the Payee with notice of such change either before or after the change takes effect. If the Payee uses the Services after the date of the notice of change or effective date of the change, whichever is later, the Payee is deemed to have agreed and consented to the change.

14. Termination

Either party may terminate this Agreement on thirty (30) days prior written notice to the other party. Notwithstanding the foregoing, the Sponsoring Member may suspend or terminate this Agreement, in whole or in part, without prior notice to the Payee, in the event of (i) an actual or reasonable expectation of breach of applicable laws by the Payee, the Sponsoring Member or the Services, (ii) a material breach of this Agreement, the Account Agreement or any related Service Materials by the Payee, or (iii) an act of or towards insolvency or bankruptcy of the Payee.

Notwithstanding any termination of this Agreement, the provisions of CPA Rule H1 and the indemnification provisions of this Agreement shall continue to remain in full force and effect with respect to any PAD drawn and issued or other obligation of the Sponsoring Member in accordance with the provisions of this Agreement prior to the day on which such termination takes effect.

15. Conflicts

If there is any conflict between any of the terms of the Account Agreement and this Agreement, the terms of this Agreement shall govern for the Services.

16. Further Assurances

Immediately on request by the Sponsoring Member, the Payee shall provide to the Sponsoring Member any and all information and evidence which the Sponsoring Member deems necessary, in its sole discretion, to verify the Payee’s compliance with this Agreement, and as may be otherwise required by the Sponsoring Member in connection with the Services, including with respect to any Payor or PAD.