



Children's Education Funds Inc. (CEFI) and our Relationship with You

At Children's Education Funds Inc. (**CEFI** or **we**) we don't just sell scholarship plans, we build relationships. But relationship building is a two way street. In order to provide you with the best service and the most suitable Plan we need you to do your part. Therefore, we ask all subscribers to remember the following:

- **Keep us up to date** – When we first enter the relationship with you we ask that you provide us with full and accurate information. We also ask that you inform us whenever there has been a change to your information that could affect, in particular, your income, investment objectives, risk tolerance or net worth and the affordability of your plan option. We also ask that you respond to our periodic outreach to you to determine if there has been a change to your information.
- **Be informed** – Our representatives have been trained to deliver the information you need to make your investment decision prior to the time of enrolment. However, we expect that our subscribers will carefully review all literature and legal documents provided to fully understand the Plan and its risks. Where appropriate, we expect that you will seek additional advice from other professionals such as lawyers or accountants as we cannot provide legal or tax advice.
- **Ask questions** – We encourage you to ask questions and request information from us or our representatives to resolve questions about your enrolment or your relationship with us or your representatives.
- **Stay on top of your investments** – We expect that subscribers will review all documentation we provide and review statements when they are provided.
- **Invest for the long-term** - There is no active secondary market for scholarship plans and you cannot resell your Plan.
- **Contact Us** - If you are unsatisfied with the answers or explanations you receive from your Dealing Representative, contact us at 1-800-246-1203.

Things you should Know

Your Enrolment

CEFI is a Scholarship Plan Dealer and Manager that offers peace

of mind by managing the day to day details of investing for your loved one's education. Our Dealing Representatives are trained to analyze your investment objectives, your risk profile and your financial constraints, and to determine whether one of the three Plans we offer would be a suitable fit for your needs. When you agree with your Dealing Representative's recommendations to invest, you enter into an education savings plan with the Children's Educational Foundation of Canada (the **Foundation**). The education savings plan that you set up will be registered by the Foundation as a Registered Education Savings Plan (**RESP**), with the Government of Canada to help save for a child's post-secondary education. As the person who opens the RESP and makes contributions, you are a subscriber. The child you designate to receive proceeds from the RESP is a beneficiary. You are free to select from our three Plans but bear in mind that the Group Option Plan has a beneficiary age restriction. Each Plan we offer have different minimum investment requirements. Whichever Plan you choose will be an investment in the Children's Education Trust of Canada (**CET**).

As a scholarship plan dealer, CEFI and its representatives are only permitted to distribute the Plans and CET. We do not market any other security or investment product.

Payment

All payments made by cheque must be payable to "Children's Education Trust".

Cheques should not be made payable directly to your Dealing Representative. Please contact our Head Office at 1-800-246-1203 if you are asked to make a cheque payable to your Dealing Representative or any other person, company or entity other than Children's Education Trust.

We do not accept cash for enrolment in the Plans.

Joint or Single Subscriber(s)

Your RESP can have single (one) or joint (two) subscribers. You and your spouse or common-law partner can be joint original subscribers under an RESP.

An RESP with joint subscribers allows two subscribers (spouses or common-law partners of one another) to do the following from the same Plan:

- make withdrawals
- make contributions
- request changes to the RESP

As a joint account subscriber, you share access to the RESP and both subscribers have a right to the information on file.

You're also jointly responsible to make up missed contributions (if you are required to make ongoing contributions) and/or fees associated with the RESP.

Before you open a joint RESP, talk about it with your spouse or common-law partner. Make sure you both agree on how you'll manage the RESP. There are possible risks and benefits associated with having your RESP held jointly with your spouse or common-law partner; especially in the event of a separation or divorce. We encourage subscribers to seek independent legal advice on how to handle a CET RESP in the event of divorce or separation.

In the case of divorce or separation, you can remove a joint subscriber if both subscribers agree to that decision or you can continue to be joint subscribers.

Requests to change the subscriber of your RESP must be made to us in writing and accompanied by the appropriate paperwork.

Borrowing to Invest

Using borrowed money to finance the purchase of our Plans involves greater risk than a purchase using cash resources only. If you borrow money to invest in one of our Plans or use a credit card, your responsibility to repay the loan, including your credit card debt, and pay interest as required by its terms remains the same even if you discontinue investing in our Plans.

Risks you Should Know About

Your RESP is an investment in your chosen Plan and CET. It is therefore is subject to the investment and other risks associated with the Plan. These risks are described in the Prospectus for the Plan and in the Plan Summary, which your dealing representative will provide to you before you open your Plan. You should read these risks carefully to understand the nature of your investment.

Important matters for you to keep in mind about your RESP when deciding to establish an RESP include:

No Regulatory or Insurance Guarantee

No securities regulatory authority has assessed the merits of any of the Plans. Unlike bank accounts or GIC's, scholarship plans are not covered by the Canada Deposit Insurance Corporation, or any other government deposit insurer. Moneys invested are held in trust by The Bank of Nova Scotia Trust Company.

Scholarships and Sales Charges

There are three Plan types available through CEFI, each with different characteristics and risks.

Two of the Plans offer a potential return of all or a portion of the Sales Charge. This Sales Charge return is not guaranteed.

Under the Group Option Plan, a student may be eligible to receive part of or an amount equal to the Sales Charges initially paid with the first, second and third EAPs. However, these payments are not guaranteed and depend on eligibility of the beneficiary and what funds are available in the Scholarship Enhancement Fund when your beneficiary starts receiving payments. Under the Group Option Plan, the amount of a Scholarship will depend upon the number of Units purchased, the amount of investment income earned and the number of qualified students in any given year as well as the amount available in the Scholarship Enhancement Fund.

Under the Achievers Plan, you may be eligible to receive a rebate of a portion of sales charge paid in the event that you choose to reduce your Plan Contribution Target or you elect to cancel or transfer your plan to another RESP before you have reached your Plan Contribution Target. The amount of a Scholarship under the Achievers Plan will also depend upon the amount of investment income earned and the amount available in the Enrichment Fund.

If you have chosen the Self-Initiated Option Plan, there is no option for return of your Sales Charge and there are no top-up payments available.

The actual dollar amounts available for Scholarships cannot be predicted and past performance is not necessarily an indicator of future investment income or Scholarship amount available. Payments from the Scholarship Enhancement Fund and Enrichment Fund Accounts are not guaranteed.

In the case of a Group Option Plan, payments from the Scholarship Enhancement Fund Account are not guaranteed. You must not count on you or your Beneficiary receiving a payment from the Scholarship Enhancement Fund Account. Payments will only be made if there is money in the Scholarship Enhancement Fund Account in respect of your Beneficiary Group. If there is a payment, you and/or your Beneficiary may get less than what has been paid in the past. We cannot tell you in advance if your Beneficiary will qualify to receive any Scholarships, or will receive any Scholarship 'top-up' payments, or whether you will receive any payments toward a return of the sales charges, or how much will be received. We do not guarantee the amount of any payments or that they will cover the cost of your Beneficiary's post-secondary education. Please read CET's prospectus for full details on what can affect Scholarship Enhancement Fund payments.

In the case of an Achievers Plan, payments from the Enrichment Fund Account are not guaranteed. You must not count on receiving a payment from the Enrichment Fund Account. Payments will only be made if there are funds in the Enrichment Fund Account in respect of Beneficiaries who are receiving EAPs that year. If there is a payment, you may get less than what has been paid in the past. You may also get less than what is paid to Beneficiaries in other years. Please read CET's prospectus for full details on what can affect Enrichment Fund payments.

Investment Risks

The money you pay into the Plans and income earned on it are mainly invested in conservative, guaranteed fixed interest rate investments, equities and principal-protected variable rate securities. Income can be invested in equities and higher risk corporate debt securities. For these and variable rate securities, the primary risks are:

- interest rate risk,
- credit risk, and
- price risk

A rise in interest rates may lower the value of corporate debt securities, while a decrease in interest rates may raise the value. Credit risk refers to the borrowing company's ability to pay interest and repay principal. With variable rate securities, principal is guaranteed, but the value of the securities and amount of interest payable may fluctuate up or down. There is no way of knowing whether these investments can be sold. These are intended to be for the long term, bought on a "buy and hold" basis. Prices of equities can go up or down and tend to have greater risk and price volatility than fixed interest rate investments.

One Time or Large Contribution

Making a one-time or other large contribution may make you ineligible for the entire government grant. You may contribute up to \$50,000 in one year, or a lesser amount that will fulfill your contribution schedule and lifetime RESP contribution limit. While such a contribution may maximize your income potential, you risk not attracting the full amount of government grants otherwise available over the entire eligible contribution period.

Early Withdrawal, Default or Termination of your RESP

Early withdrawal from, termination or a default under your RESP will generally have negative financial consequences for you, unless you cancel under the right to cancel within 60 days of your agreement. If you withdraw, default or terminate your RESP after the expiry of this 60 day right, part of your contributions will be paid back to you (Contributions less Sales Charges paid to the date of your withdrawal (in the case of a Group Option Plan or Self-Initiated Option Plan), government grants, fees paid in respect of your RESP, all income earned on your contributions, and, if applicable, any insurance premiums paid).

Your maximum life time CESG grant amount will also be reduced by the amount returned. For the remainder of the calendar year and the following 2 years, you will not be eligible to receive new Additional CESG grants but you will still be eligible to receive new Basic CESG grants.

Group Option Plan Missed Contributions

If you've missed contributions in the Group Option Plan and want to stay in the Plan, you'll have to make up the contributions. You'll also have to make up what the contributions would have earned if you had made them on time. This can be costly. If you have difficulty making contributions, you have options that you can choose in order to keep your RESP investment. You can

reduce or suspend your contributions, transfer to another RESP or close your Plan. Restrictions and fees apply. Some options will result in a loss of earnings and grants. If you suspend contributions and don't take any action within 36 months, CEFI will automatically transfer your Group Option Plan to the Self-Initiated Option Plan. You will then have the option to transfer back to the Group Option Plan for up to two years after the date of transfer as long as it is prior to the original Maturity Date of the Group Option Plan.

Missing a Deadline

If you or your Beneficiary miss a deadline, this can limit your options later on. You could also lose the earnings on your investment. The three key deadlines are:

- **60 days before Date of Maturity**

You have until 60 days before the Date of Maturity to make certain changes to your Plan. This includes switching a plan, changing the maturity date if your plan beneficiary wants to start their program sooner or later than expected and transferring to another RESP. Restrictions and fees apply.

- **Date of Maturity**

You have until the Date of Maturity to change the plan beneficiary. Restrictions and fees apply.

- **August 1 for EAPs**

If your Group Option Plan beneficiary qualifies for an EAP, they must apply by August 1 before their second, third and fourth years of eligible studies to receive a payment for that year. Otherwise, your plan beneficiary may lose this money.

Beneficiary Does Not Attend a Post-Secondary Program

With the Group Option Plan, the Self-Initiated Option Plan and the Achievers Plan, if a beneficiary does not attend a Post-Secondary Program within the necessary time limits or if you terminate the Plan before the date the beneficiary is due to begin post-secondary education, the beneficiary will not receive any Scholarships.

However, under the Self-Initiated Option Plan or Achievers Plan you may, subject to the Income Tax Act, be able to transfer some or all of the income earned into an eligible RRSP or RDSP or make a cash withdrawal. Cash withdrawals will be taxed at 20% over and above your regular tax rate. Certain provinces may have additional taxes.

If you are under the Group Option Plan you would first have to transfer to the Self-Initiated Option Plan to become eligible for any of the above options. Such a transfer would result in the termination of any insurance purchased and the loss of all insurance premiums paid.

Under the Group Option Plan, all investment income earned will be deposited to the particular Scholarship Fund and will be added to the amount available for the payment of Scholarships to other Beneficiaries with the same Year of Eligibility as your Beneficiary.

For Subscribers under the Self-Initiated Option Plan or Achievers

Plan who do not qualify for a return of their investment under the Income Tax Act, all interest earned on savings will be lost and paid to a designated educational institution.

Contributions, net of applicable fees, will be returned to the Subscriber in any event.

Beneficiary Does Not Enroll for a Subsequent Academic Year

If your Beneficiary under the Group Option Plan becomes a qualified student but does not enroll for a second academic year of a Post-Secondary Program and does not apply to the Foundation to have payments deferred, he or she will lose the Scholarship payable for that year and all subsequent years. This amount will remain in the Fund and will increase the amount of Scholarships paid to other qualified students with the same Year of Eligibility.

Grant Monies

Under the Group Option Plan, if your Beneficiary is qualified but does not enroll in a Post-Secondary Program at the Date of Maturity, the grants must be repaid to the government. The remaining investment income earned on the grants can only be paid in certain ways specified under the Income Tax Act or to a designated educational institution.

If you terminate your Group Option Plan for any other reason, the grant (other than investment income earned on the grants, which will be treated in the same manner as any other earnings being paid out of a Plan) will be repaid to the government and the contributions, less Sales Charges paid to the date of your withdrawal, government grants, fees paid in respect of your RESP, all income earned on your contributions, and, if applicable, any insurance premiums paid, will be returned to you. The income earned on the contributions will also be reallocated among the remaining Beneficiaries in your Group Option Plan Pool.

Under the Self-Initiated Option Plan and Achievers Plan, if your Beneficiary is not enrolled in a Post-Secondary Program upon maturity, or at the end of the deferral period, contributions, less Sales Charges paid to the date of your withdrawal, government grants, fees paid in respect of your RESP, all income earned on your contributions, and, if applicable, any insurance premiums paid, may be returned to you, but grants (other than investment income earned on the grants, which can only be paid in specified ways under the Income Tax Act or to a designated educational institution) must be repaid to the government.

Generally speaking, when you withdraw contributions from your Plan for non-educational purposes, any grant monies that those contributions attracted must be repaid to the government, which in some cases could negatively affect your Beneficiary's eligibility for the grant.

Contributions Allocated to Income

Under the following circumstances, a portion of your contributions may be required to be allocated to income: • a change in your contribution schedule under the Group Option Plan;

- the payment of interest for the period between the retroactive enrolment date and the application date in the event of retroactive enrolment;
- advancing your Beneficiary's year of eligibility to a date prior to the date of maturity under the Group Option Plan; and
- changing your Beneficiary under your plan to an older Beneficiary.

This allocation may result in certain adverse tax and other financial consequences to you and/or your Beneficiary.

Retroactive Enrolment under Group Option Plan

Subscribers in the Group Option Plan who provide the Beneficiary SIN at the time of enrolment may choose to retroactively date their Plan to a date that is earlier than the application date. If you choose to retroactively date your Group Option Plan, you will be responsible for and will have to make up the contributions that would have been due starting on the retroactive date chosen until the application date. You will also have to pay interest at a rate which is an amount equal to 0.583% per month, compounded monthly (the annual rate of interest for this interest deficiency administrative adjustment is 7%) on the amount that you deposited, net of any Sales Charges, for the period between the retroactive enrolment date and the application date in order to make up for lost interest. This can be costly. Generally, with limited exceptions, retroactive enrolment may not exceed one year.

Unclaimed Amounts

Under the Group Option Plan, any amounts unclaimed by the end of the earlier of six years from the Plan's original Date of Maturity or by the end of the 35th year following the year in which the Plan became effective will be transferred to the Scholarship Enhancement Fund and not returned to you.

Under the Self-Initiated Option Plan and Achievers Plan, any amounts in the Self-Initiated Fund or Achievers Fund unclaimed by the end of the earlier of six years from the Plan's original Date of Maturity or by the end of the 35th year following the year in which the Plan became effective will not be available for the payment of Scholarships, and unclaimed amounts attributable to contributions made after the Date of Maturity will be returned to the Subscriber. All other unclaimed amounts in these two Funds will be forfeited and paid to a designated educational institution.

We will make reasonable efforts to locate and return unclaimed amounts owing to Subscribers. In the event that the Subscriber cannot be located, any unclaimed amount will be handled in accordance with applicable legislation. If there is no applicable legislation in the owner's jurisdiction, we will transfer the unclaimed amount to the Scholarship Enhancement Fund or applied to the objects of the Foundation after a period of three years.

Failure to Provide SIN

If you have not provided the Foundation with your Beneficiary's SIN within 24 months of the acceptance of your Application by

the Foundation (or such longer period as may be agreed to by the Foundation), your Contributions (less applicable fees) and any income earned on your Contributions will be returned to you. In these circumstances, any income earned on your Contributions will be taxed in your hands.

Subscriber cannot be Located

If a Subscriber cannot be located by the Foundation at the Subscriber's last known address by the end of the sixth year following the original Date of Maturity of the Subscriber's Scholarship Agreement, the Subscriber's Contributions (after deduction of applicable fees) will be forfeited.

Discretion of the Scholarship Committee

The Scholarship Committee has discretion to vary the terms of any plan upon request by the Subscriber or Beneficiary. However, it is possible that the decisions made by the Committee may not be in accord with the desires of the Subscriber or Beneficiary. Further, such discretionary decisions may result in the loss of Scholarships and investment income. Decisions of the Scholarship Committee may be appealed to CEFI's board of directors.

Status of the Foundation and Children's Education Trust of Canada (CETC)

Neither the Foundation nor CETC is registered as a trust company in any province or territory of Canada.

Rather, the Foundation sponsors education savings plans to be marketed to the public.

Conflicts of Interest

In the course of providing services to you, there will be situations where a conflict will arise between our interests and yours. These conflicts may be actual conflicts of interest or you may perceive that we have a conflict of interest. Conflicts can give rise to a concern that we or our representatives may act or will act with a view to their own business or personal interest which may result in our or our representative's financial gain. Conflicts can also arise in circumstances where there are differing interests amongst clients, which may lead to a perception that we will be favouring a client or set of clients over other clients.

Conflicts of interest inherent in our actions as the manager and administrator of the Plans are addressed in the best interests of the Plans. We refer those conflicts of interest and how we address them to the independent review committee (**IRC**) of the Plans. You can access the IRC's annual report to Plan holders here <https://www.cefi.ca/regulatory-documents/> for a description of the conflicts of interest we have referred to the IRC, in our capacity as the manager and administrator of the Plans.

We encourage you to review our Conflicts Disclosure which is attached to this brochure, which describes the conflicts of interest inherent in our and our representatives' activities as the distributor of the Plans. Canadian securities laws require us to take reasonable steps to identify and respond to material conflicts of interest in your best interest and tell you about them.

Our Conflicts Disclosure identifies which conflicts of interest we consider are material when we and our representatives distribute the Plans to you. We also describe the potential impact on and risk that the conflict could pose to you and how we address the conflict to minimize its impact and risks to you and our other clients.

Outside Business Activities

Outside business activities are any business activities that your Dealing Representative conducts that are not the sale and service of a Plan through CEFI. If your Dealing Representative conducts outside business activities with you, you must be aware that such activities are not the business of CEFI. We do not supervise or review these activities to determine their suitability or if they meet your needs or objectives.

If your Dealing Representative recommends any purchase or service, other than a purchase or service under a Plan offered by us, this is being offered in their personal capacity or in their capacity as an agent, employee or representative of a company other than CEFI. We are not liable for any losses, expenses, costs, claims, damages or liabilities arising from or resulting from such activities.

Many of our representatives are also licenced to sell insurance, as well as being registered to sell our Plans. Their activities as an insurance agent are not supervised or reviewed by us, nor is this done through us.

Referral Arrangements

We engage in certain marketing and sales generation practices. For example, we enter into agreements with certain entities that have access to information on families welcoming newborn children into their families. These entities, with or without additional terms relating to CEFI marketing undertaken through their publication, sell lists of contact information for such individuals or families who may be interested in providing for their new child's education through the purchase of a registered education savings plan. All subscribers receive full written disclosure of this referral arrangement before or at the time they purchase their Plan.

Dispute Resolution

If you make a complaint to us about Children's Education Funds Inc. or any of our representatives and are not satisfied with our resolution of the matter, we will make independent dispute resolution or mediation services available to you at our expense as set out below.

The Ombudsman for Banking Services and Investments (OBSI)

OBSI is an organization independent of government and the financial services industry, which investigates unresolved complaints from individuals and small businesses about financial services firms. OBSI provides an independent and impartial process for the investigation and resolution of complaints about

the provision of financial services to clients. The OBSI process is free of charge and is confidential. For more information, OBSI can be contacted by telephone in Toronto at (416) 287-2877, or toll free at 1-888-451-4519 or by email at ombudsman@obsi.ca, or through their website at: www.obsi.ca.

For Quebec Residents

In Québec, the Autorité des marchés financiers (AMF) provides dispute resolution services at no charge to subscribers who reside in Québec. The AMF can be reached toll-free at 1-877-525-0337 or through their website at: www.lautorite.qc.ca.

Costs to You

Compensation Practices and Fees

There are fees associated with all of our Plans. At the time you choose to enrol, you will have received the Plans' prospectus. Part A of the Plans' prospectus is a summary of the plan type that applies to you. Together, the Prospectus and the Plan Summary set out in detail what fees and costs are associated with the plan type that applies to you. Please read the prospectus and your Plan Summary carefully.

- **Fees You Pay**

The Sales Charge and Depository Fee are deducted from your Contributions. They reduce the amount that gets invested in your Plan, which will reduce the amount available for EAPs.

- **Fees the Plans Pay**

The Portfolio Management fee (Group Option Plan only), Trustee and Custodian Fee (Group Option Plan only) annual Administration Fee, IRC fees and board of directors fees are each payable from the Plan's Income. You don't pay these fees directly. These fees affect you because they reduce the Plan's returns which reduces the amount available for EAPs.

- **Transaction Fees**

Depending on your circumstances and /or changes you may request, you may incur Transaction Fees. Certain changes or requests may be subject to Transaction Fees. These fees differ between our Plans. They range from \$18.0 to \$50.00 plus applicable taxes.

In exchange for selling the Plans, we receive a portion of the sales charges paid by Subscribers. We use this money to pay for our costs of distribution and to pay compensation to our dealing representatives for their services in distributing the Plans and, in respect of the Self-Initiated Option Plan, for their ongoing services to Subscribers during the life of those Plans.

The commissions, fees, charges, management fees and ongoing charges described in this section affect investment returns in your Plan and your RESP, because they reduce the amount of the investment return to you. When considering the fees charged to your Plan and RESP, you should note that a fee charged to your Plan and RESP will compound

over time as a deduction to the overall value of your Plan and RESP. Every dollar taken out to cover fees is one less dollar left to invest in your RESP to compound and grow over time.

Reporting to You

Statements

CEFI will deliver an account statement to you once per year. However, you may contact your CEFI Dealing Representative at any time to learn of the status of your scholarship plan investment.

A CEFI statement includes all of the following information for each transaction during the year:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the plan and number of units;
- (d) the frequency of the contribution (e.g. monthly, yearly, single etc.);
- (e) the total estimated cost of contributions to maturity

A CEFI statement includes all of the following information about the plan balance:

- (a) the current year and life to date amount of contributions made;
- (b) the current year and life to date amount of Sales Charges;
- (c) current year and life to date amount of depository fees;
- (d) current year and life to date amount of administration fees;
- (e) current year and life to date amount of insurance premiums
- (f) current year and life to date amount of principal invested
- (g) current year and life to date amount of CESG grants
- (h) current year and life to date amount of investment income earned.

Additionally the following disclosure is included as part of the annual subscriber account statement:

- (a) the amount of any referral fee received from a third party (if any) for the current year;
- (b) a definition of who the Children's Educational Foundation of Canada is and the Children's Education Trust of Canada;
- (c) a definition of what a plan, unit and mode is;
- (d) a detailed description of the amounts deducted from subscriber contributions; and,
- (e) total amount returned to the client if the client ceased to make prescribed payments.

Benchmarks

When analyzing how well your investment is performing, you can compare it against an appropriate benchmark. Benchmarks show the performance over time of a select group of securities. We use certain benchmark indexes for comparison against Plan performance in each Plan's Management Report of Fund

Performance. This is a document that comments on the Plan's investment performance over the past year and discusses factors that had a major effect on how well the investments performed. Any changes to the risks the Plan is willing to take in investing and any trends that could affect the Plan's performance in the future are also discussed. This document is available at www.SEDAR.com.

The benchmarks used try, as far as possible, to compare apples to apples. In other words, we use the indexes that contain the same or similar investments and investment objectives as those contained in CEFI plans: i.e. the Group Option Plan, the Achievers Plan or the Self-initiated Option Plan - which are generally lower risk investments. Also, benchmarks do not include operating charges, transaction charges or other expenses related to the cost of investing. So it is important for you to consider those as well, as they will affect the bottom line performance of your investment with our Plans. If you have any questions about the benchmarks we use or how benchmarks are used generally, please speak to your CEFI dealing representative.

Our Suitability Obligation and the Information we must Collect

CEFI and its representatives have an obligation to assess whether a Plan is suitable for you before it recommends enrolment in any Plan. CEFI and our representatives must put your interests first in making any recommendation to you. This requires that we know all relevant information about you, your financial circumstances, employment, net worth, investment objectives, time horizon, risk tolerance and risk capacity and your general knowledge of and experience with investing. It also requires that we and each of our representatives understand the Plans we offer to determine whether they fit with your needs and objectives.

To meet this obligation, CEFI and its representatives collect the following information from you:

Full Name and Address	Age
Employer	Investment Knowledge
Assets, Liabilities and Net Worth	Spouse and Dependent Info
Annual Income	Time Horizon for Investing
Risk Tolerance	Affordability Calculation (as required)
Expenses (as required)	

Description of some of the terms used above:

Investment knowledge: means a person's general level of understanding about investments. Investment knowledge includes your level of understanding about how investments can make money, the different types of investments and the risks that they carry. We also ask you about your experience in investing.

Risk tolerance: means the degree of variability in investment returns that an investor is willing to withstand. This differs from risk capacity, which is a more objective standard based on your financial circumstances – and generally refers to your financial ability to withstand any downturns in the markets.

Time horizon for investing: means the period for which an investor expects to hold an investment for a specific goal. In the case of a scholarship plan, the time horizon would be the amount of time until the beneficiary plans to start postsecondary education.

Affordability calculation: One of the first steps in opening a CET scholarship plan with required ongoing contributions is the affordability calculation. The affordability calculation is useful in making sure that you have the means to make plan contributions for the duration of the plan. The affordability calculation includes your income and expense information in assessing how much you can contribute to a plan with required ongoing contributions.



Children's Education Funds Inc. (CEFI)

CONFLICTS DISCLOSURE

Conflicts of Interest – What are they, how do they Impact you and how do we address them?

Children's Education Funds Inc. (**CEFI** or **we**) manages, administers and sells scholarship or education savings plans (the **Plans**) known as The Children's Education Trust of Canada.

In the course of providing services to you, there will be situations where a conflict will arise between our interests and yours. These conflicts may be actual conflicts of interest or you may perceive that we have a conflict of interest. Conflicts can give rise to a concern that we or our representatives may act or will act with a view to their own business or personal interest which may result in our or our representative's financial gain. Conflicts can also arise in circumstances where there are differing interests amongst clients, which may lead to a perception that we will be favouring a client or set of clients over other clients.

We seek to identify conflicts and if we conclude we have a conflict of interest, we address it in the best interests of the Plans and our clients. We seek to avoid or minimize conflicts where reasonably possible. We seek to avoid actual or perceived favouritism or discrimination amongst clients and to ensure that no client receives preferential treatment over another in providing financial products and services to you.

Conflicts of interest inherent in our actions as the manager and administrator of the Plans are addressed in the best interests of the Plans. We refer those conflicts of interest and how we address them to the independent review committee (**IRC**) of the Plans. You can access the IRC's annual report to Plan holders here <https://www.cefi.ca/regulatory-documents/> for a description of the conflicts of interest we have referred to the IRC, in our capacity as the manager and administrator of the Plans.

This document describes the conflicts of interest inherent in our and our representatives' activities as the distributor of the Plans. Canadian securities laws require us to take reasonable steps to identify and respond to material conflicts of interest in your best interest and tell you about them. This Conflicts Disclosure identifies which conflicts of interest we consider are material when we and our representatives distribute the Plans to you. We also describe the potential impact on and risk that the conflict could pose to you and how we address the conflict to minimize its impact and risks to you and our other clients.

In situations that we do not or cannot avoid a conflict of interest,

where our interests may compete with yours, we will always strive to give your interests priority to ours, which allows you to be confident that we address conflicts in your best interest. Generally speaking and unless otherwise specified, we deal with and manage conflicts as follows:

- We avoid conflicts which are prohibited by law as well as conflicts that we cannot effectively control.
- Our representatives are required to comply with various policies and procedures, which are designed to seek to ensure that our representatives follow ethical and client-first business practices. These policies and procedures include our code of Conduct. We have a robust oversight process and provide training to our representatives to ensure that these policies and procedures are effective.
- We control or manage acceptable conflicts by physically separating different business functions and restricting the internal exchange of information.
- For each material conflict, we seek to resolve it in your best interest.
- We disclose information about conflicts material to you so that you can assess independently if these conflicts are significant to you.

Material Conflicts of Interest

Below is important information that will help you be fully informed about our material conflicts of interest in our capacity as distributor of the Plans.

CEFI only distributes the Plans

CEFI and its representatives are only permitted to recommend that you invest in the Plans. It is the nature of our business model and our securities registration that requires us to focus only on the Plans. Although we will always consider whether an investment in the Plans is suitable for you, based on the information you provide us about, among other things, your investment goals, your financial circumstances and risk profile, we will not consider whether any other investment product or service would be better, worse or equal in meeting your investment needs and objectives.

Relationships with the Plans

CEFI is a separate company to the Children's Educational Foundation of Canada (the **Foundation**). The Foundation is under common management with CEFI and directors of CEFI are also directors of the Foundation. The Foundation also has independent directors. Notwithstanding the common management and directors, the business of CEFI as distributor of the Plans is operated separately from the Foundation. It is the business model of CEFI and the Foundation that our mutual focus is on the sponsorship, administration, management and distribution of the Plans. Among other things, in this way we can achieve cost savings for the Plans and our clients. We consider that our relationship means we share a common objective of better serving the financial needs of our clients.

Compensation of CEFI as Distributor

Compensation paid to CEFI as distributor is in the form of the sales charges you pay to us in connection with your investment in the Plans. Administration fees are charged to the Plans and these administration fees are paid to compensate CEFI as manager and administrator of the Plans. You receive information about the sales charges before you decide to invest in the Plans and the prospectus for the Plans set out this information.

Compensation to CEFI in Sale of Plan Completion Insurance

When you invest in the Group Plan (other than via a one-time payment and in other specified circumstances), you are required to buy completion insurance and you pay premiums to the insurance company (CUMIS Life Insurance Company). We are compensated by CUMIS for our administration of this insurance and the processing of the premiums through payment to us of 67% of the premiums. This information is disclosed to clients in the prospectus of the Plans and is brought to your attention before you invest in the Group Plan. We ensure that the fees received are commensurate with our services in processing the premiums.

Compensation of Representatives and Branch Managers

Our representatives are compensated for their services to you, and for distributing the Plans through commissions. They receive a portion of the sales charges that you pay when you open a Plan. These sales charges may differ depending on the Plan you open. Representatives' income therefore is dependent on the amount of units you agree to purchase in the case of a Group Option Plan or in the case of an Achievers Plan, the amount you decide to contribute. This may incent them to encourage you to acquire additional units or contribute more to a Plan or a specific Plan. You will receive full written disclosure of the sales charge between different Plans before you purchase your Plan.

The Self-Initiated Option Plan, unlike the other Plans that we administer, includes an option for you to not make contributions and only consist of the Canada Learning Bond. In this case, a sales charge does not apply and we pay the representative's commission from our revenues. A Self-Initiated Option Plan can also be opened when a Group Option Plan is automatically

transferred to the Self-Initiated Option Plan. When this happens, no compensation is paid to the representative.

Except for the circumstances described above, the sales charge for the Self-Initiated Option Plan is \$200 per plan and the representative earns a smaller commission on the sale of a Self-Initiated Option Plan when compared with our other two Plans. However, when representatives sell Self-Initiated Option Plans and when Contributions are made, representatives are eligible to earn ongoing quarterly compensation of 0.75% , which we pay from our revenues, for ongoing services to you during the life of your Plan, for the life of your Self-Initiated Option Plan based on the amounts in the Plan at the end of each quarter.

Our policies and procedures require representatives to only make recommendations that are suitable for you, based on your financial circumstances and investment objectives, and that put your interests first. Representatives are subject to financial penalties (deductions from future commission payments or rebates) if you cancel or change your Plan to reduce your investment within a specified period of time. In this way, we seek to mitigate this conflict of interest in your best interest.

Branch managers are responsible for supervising representatives. They are paid commissions and compensation based on the amounts sold by the representatives they supervise. This may incent branch managers to approve applications for a Plan when it may not be suitable for the subscriber. We address this conflict of interest through supervision of branch managers, by individuals whose sole focus is ensuring compliance, in particular ensuring that all applications for Plans are suitable for the clients. These individuals are compensated by salary and have authority to reject applications if they consider that they are not suitable for you.

Sales Incentives provided by CEFI

We provide sales incentives to our representatives, including rewards, such as qualifications for annual off-site educational conferences that we pay for. This may give rise to a perception that representatives are incented to encourage you to acquire additional units or contribute more to a Plan.

Our policies and procedures require representatives to only make recommendations that are suitable for you, based on your financial circumstances and investment objectives, and that put your interests first. Representatives are subject to financial penalties if you cancel or change your Plan to reduce your investment within a specific period of time. We also seek to structure awards to ensure they do not influence recommendations. In this way, we seek to mitigate this conflict of interest in your best interest.

Outside Activities of Representatives

Our representatives may carry on other business activities, hold officer, director or other positions of influence with entities unrelated to CEFI, or participate in community events or initiatives. For instance, many of our representatives are licenced to sell you insurance. Although we take no responsibility for our representative's actions with you that are derived from

these other activities, our representatives are required to tell us about their outside activity. We consider and permit all outside activities if they do not provide an unresolvable conflict with our representative's duties to you in distributing the Plans. Our representatives are required to tell you when they are not acting for CEFI, which will be in any circumstance other than distributing the Plans.

Referral Arrangements

We may enter into arrangements where we pay a referral fee to another entity for referring you to us. As required by applicable securities laws, the terms of the referral arrangement will be set out in writing and you will be provided with disclosure of the arrangement. We undertake periodic reviews of our referral arrangements. You do not pay any additional charges and fees in connection with such referrals and are not obligated to purchase any product or service in connection with a referral.

Our referral arrangements are generally in the form of marketing and sales generation initiatives. We enter into agreements with certain entities that have access to information on families welcoming newborn children into their families. These entities, with or without additional terms relating to CEFI marketing undertaken through their publication, sell lists of contact information for such information or families who may be interested in providing for their new child's education through the purchase of a Plan.

You will receive full written disclosure of any referral arrangement before or at the time you purchase your Plan.

Personal Financial Dealings with Clients

A conflict of interest can arise where a representative has personal financial dealings with you, including where they are

appointed as a trustee or granted a power of attorney and have control or authority over your financial affairs, they acquire or borrow assets from you, or you acquire or borrow assets from them. As these dealings could cause the representative to put their interests ahead of yours in taking any investment action, we have policies and procedures in place which generally prohibit personal financial dealings with clients who are not family members.

Gifts and Entertainment

We and our representatives may receive offers of gifts and/or entertainment from business partners. We could be perceived to be financially motivated to put our interests ahead of your interests because of the gifts and entertainment. To address this conflict of interest, representatives are required to comply with our Code of Conduct, which requires representatives not to accept any gift or entertainment which is intended to improperly influence a business decision or which exceed a certain threshold. As well, representatives are obligated by applicable regulations and policy and procedures to make only suitable investments and recommendations.

The information in this document is intended to assist you in understanding and assessing material potential and actual conflicts of interest, including the nature of such conflicts, the potential impact on and risk that the conflict could pose to you and how we address the conflict to minimize its impact and risks to you and our other clients. Ultimately, we seek to resolve all material conflicts of interest in your best interests. This is an overview of a complex subject. If you ever have any questions or concerns, whether they involve conflicts of interest or other matters, you should never hesitate to say so and ask your representative for an explanation and/or further information.



**CHILDREN'S EDUCATION
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