

Sales practices guidelines for imaxxFundsTM

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Background

On May 1, 1998, National Instrument 81-105 and its companion policy 81-105CP on mutual fund sales practices (the Sales Practice Rule) came into effect. The National Instrument establishes minimum standards of conduct for industry participants.

The National Instrument has been approved by all members of the Canadian Securities Administrators and therefore is effective everywhere in Canada.

Copies of the National Instrument, which we refer to as the Sales Practices Rule, may be obtained from the Ontario Securities Commission web site at <http://www.osc.gov.on.ca/>.

Foresters Asset Management Inc. strongly recommends that all dealers and their investment professionals review the Sales Practices Rule to gain a thorough understanding of how it may affect their business development efforts.

This guide provides excerpts from the Sales Practices Rule as well as key aspects and specific policies that Foresters Asset Management Inc. has adopted regarding mutual fund sales practices. In order to facilitate the Foresters Asset Management Inc. pre-approval and reimbursement process and to help confirm compliance with current regulations, we have developed for your use, standardized guidelines, pre-approval, and reimbursement forms.

These guidelines and forms have been developed to illustrate our commitment to build and maintain long-term relationships with dealers and financial advisors by supporting your marketing and business building efforts.

The following guidelines refer to Parts 5 and 7 of the Sales Practice Rule, specifically, marketing and educational practices, commission rebates, and charitable donations.

Section 5.1

SALES COMMUNICATIONS AND CO-OPERATIVE MARKETING PRACTICES

Foresters Asset Management Inc. may pay, to a participating dealer, direct costs¹ incurred by the dealer relating to a sales communication², investor conference or investor seminar prepared or presented by the dealer, provided that:

- The “primary purpose”³ requirement must be met.
- Foresters Asset Management Inc. reviews and pre-approves the written request for support as well as all sales communications prior to the event.
- The sales communication, investor conference, or investor seminar clearly displays the Foresters Asset Management Inc. logo together with a phrase indicating that “a portion of the costs of this advertisement” was paid in part by Foresters Asset Management Inc.
- Dealer approval is indicated by the signature of the Branch Manager, Compliance Officer, or other officer authorized to do so.
- The dealer pays at least 50% of the total “direct costs.” Reasonable costs can only include out-of-pocket expenses and not internal overhead costs.
- When submitting for payment, the dealer provides Foresters Asset Management Inc. with invoices and receipts for the direct costs associated with the production of the sales communication, investor seminar, or investor conference. Costs incurred include only out-of-pocket expenses and not internal/overhead costs.
- Cheques for co-operative support are made payable to the dealer or a third-party supplier, not the individual investment professionals.

Foresters Asset Management Inc. is prohibited by the Sales Practices Rule from subsidizing the general marketing and promotional expenses of a dealer or a dealer’s investment professionals. As a result, client appreciation activities and events, general client mailings, and general sales communications are not supported under the Sales Practices Rule (see examples below).

In order for newsletters to qualify for the support program, at least two-thirds of the content must be primarily about mutual funds and not focused on the dealer or the particular investment professionals.

¹ “Direct costs” is defined as reasonable out-of-pocket costs and expenses directly attributable to:

- The production and presentation of a sales communication referred to in Part 5; or
- The presentation and organization of a conference or seminar referred to in Part 5, other than any travel, accommodation, or personal incidental expenses associated with the attendance of an individual at the conference or seminar.

² “Sales communication” is defined in National Instrument 81-102 and may include written, verbal, audio, and visual communications (including web sites). Excluded from the definitions are “image” or “lifestyle” advertisements.

³ The “primary purpose” of the sales communication, investor conference or investor seminar is to promote or provide educational information about a specific Foresters Asset Management Inc. fund, the Foresters Asset Management Inc. fund family or mutual funds generally. This has generally been interpreted to mean that 66% of the advertisement or event content must pertain to the promotion or provision of educational information about a specific Foresters Asset Management Inc. fund, the Foresters Asset Management Inc. fund family or mutual funds generally.

Examples of co-op eligible events

- Print advertising, including direct mail, newsletters, and billboards that comply with NI 81-102.
- Audio tapes, radio and television advertising.
- Investor seminars, including equipment rental, guest speakers, and advertising.
- Foresters Asset Management Inc. trade shows, including booth rental and nominal prizes for draws.

Events that are not eligible include:

- Appreciation events (dinner, golf, theatre), gifts, or general mailings to clients.
- Image advertising for dealer trade show booths.
- Database access or client mailing lists.
- Development of Intranet or Internet sites.
- Use of logo on various items such as golf balls or team uniforms.

Section 5.2

FORESTERS ASSET MANAGEMENT INC. SPONSORED CONFERENCES AND SEMINARS (I.E. ROAD SHOWS)

Foresters Asset Management Inc. may provide a non-monetary benefit to a representative of a participating dealer by allowing him or her to attend a conference or seminar organized and presented by Foresters Asset Management Inc. , provided that:

- The primary purpose of the conference or seminar is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, Foresters Asset Management Inc. funds, or mutual funds generally;
- The dealer will decide which of its investment professionals will attend the event, without influence from Foresters Asset Management Inc.;
- The dealers or the investment professionals attending the event must pay their own travel, accommodation, and personal incidental expenses;
- The conference or seminar is held in Canada, the continental United States, or a location where a portfolio advisor of the mutual fund carries on business;
- Foresters Asset Management Inc. will not invite individual investment professionals prior to an invitation being sent to a dealer and the dealer will decide which of its investment professionals attend;
- Foresters Asset Management Inc. will ensure that the conference costs are reasonable in nature and whenever possible be eligible for continuing educational credits.

Events that are not eligible include:

Foresters Asset Management Inc. may contact investment professionals in a specific region directly only after receiving permission from the dealer's head office. All of the investment professionals in the region must be invited without regard to sales volume or assets under management.

Section 5.3

THIRD PARTY SPONSORED EDUCATIONAL EVENTS

(I.E. COURSES FOR FINANCIAL PLANNERS /ADVISORS)

Foresters Asset Management Inc. may reimburse up to 100% of the investment professional's registration fees for an event (i.e. conference, seminar, or course) offered by a third party, provided that:

- The primary purpose of the conference, seminar, or course is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, Foresters Asset Management Inc. funds, or mutual funds generally;
- The dealer will decide which of its investment professionals will attend the event, without influence from Foresters Asset Management Inc.;
- The dealers or the investment professionals attending the event must pay their own travel, accommodation, and personal incidental expenses;
- The event is held in Canada or the continental United States;
- Foresters Asset Management Inc. has reviewed and pre-approved the written request for support within the first six months of enrolment;
- The dealer provides invoices for, or receipts evidencing, payment of the registration fees to be paid by Foresters Asset Management Inc.;
- Required documentation: Completed Co-operative Marketing Reimbursement/Cheque Request Forms, course outline, and all third party receipts and invoices within one year of course completion.

Examples of co-op eligible events

- Registration for enrolment in the CFA or CFP programs.
- Registration fees for a sales assistant's course.
- Registration for industry association (e.g. IFIC or the IDA) events provided two-thirds of the event relates to financial planning, mutual fund, or securities matters

Events that are not eligible include:

- Exam preparation courses (e.g. Foran Financial Seminars)
- Text books or study notes (e.g. Schweser Study Notes)
- Courses that focus on business development, effective communication, computer, or presentation skills training.
- Subscriptions to financial publications.

Section 5.4

INDUSTRY ASSOCIATION SPONSORED EVENTS

(I.E. IFIC OR THE IDA)

Foresters Asset Management Inc. may reimburse a portion (maximum 10%) of the direct costs of an Investment Funds Institute of Canada (IFIC) or Investment Dealers Association (IDA) conference or seminar, provided that:

- The primary purpose of the conference, seminar, or course is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, or mutual funds generally;
- The dealer will decide which of its investment professional representatives will attend the event, without influence from Foresters Asset Management Inc.;
- The dealers or the investment professionals attending the event must pay their own travel, accommodation, and personal incidental expenses;
- The event is held in Canada or the continental United States;
- Foresters Asset Management Inc. has reviewed and pre-approved the written request for support prior to the event;
- Required documentation: the dealer must provide Foresters Asset Management Inc. with the completed Foresters Asset Management Inc. Co-op Marketing Reimbursement/Cheque Request Form, including all receipts and invoices, within a maximum of one year of completion;
- An exemption from the Ontario Securities Commission (OSC) is required for all conferences or seminars organized and presented by any industry association other than IFIC or the IDA. However, exemptions are not required when renting booth space or purchasing advertising as this type of activity is not considered to be supporting the organizational costs.

Section 5.5

DEALER SPONSORED EVENTS

Foresters Asset Management Inc. may reimburse a portion of the direct costs of a dealer's conference or seminar, provided that:

- The primary purpose of the conference or seminar is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, or mutual funds generally (e.g. sales club trips, dinners, etc., would generally not be eligible events);
- Foresters Asset Management Inc. cannot pay more than 10% in aggregate of the total direct costs incurred by the participating dealer for the organization and presentation of the conference or seminar;
- The aggregate direct costs of the conference or seminar paid by all mutual fund companies cannot exceed 66% of the total direct costs incurred by the participating dealer;
- The dealer will decide which of its investment professionals will attend the event, without any influence from Foresters Asset Management Inc.;
- The dealers or the investment professionals attending the event must pay their own travel, accommodation, and personal incidental expenses;
- The conference or seminar is held in Canada, the continental United States, or a location where a portfolio advisor of the mutual fund carries on business;
- Foresters Asset Management Inc. has reviewed and pre-approved the written request for support prior to the event (Provide draft agenda and budget along with a Co-op Marketing Pre-Approval Request Form or approved dealer form);
- Foresters Asset Management Inc.'s maximum contribution cannot exceed 10% of the total "direct costs" of the event and the total amount contributed by all mutual fund companies cannot exceed 66% of the total direct costs of the event;
- Required documentation for reimbursement: The dealer must provide Foresters Asset Management Inc. with the conference agenda and completed reimbursement request form, including all third party receipts and invoices.

Section 5.6

PROMOTIONAL ITEMS AND BUSINESS PROMOTION ACTIVITIES

Foresters Asset Management Inc. may provide to an investment professional of a dealer non-monetary benefits of a promotional nature and of nominal value. Furthermore, Foresters Asset Management Inc. may engage in business promotion activities that result in an investment professional of a dealer receiving a non-monetary benefit, provided that:

- The provision of the benefits and activities is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of the benefits or activities improperly influence the investment advice given by the investment professional or his or her clients; and
- In the case of business promotion activities, Foresters Asset Management Inc. cannot pay for the travel, accommodation, or personal incidental expenses associated with the attendance of the investment professional at the activities.

Promotional Items:

On occasion, Foresters Asset Management Inc. may provide promotional items to investment professionals, provided that:

- The items are of minimal value and are provided on an infrequent basis.
- The items provided are for the personal use of the investment professional.
- All business promotion activities (e.g. occasional meals or drinks, tickets, and other comparable entertainment activities) provided to investment professional cannot be extensive or frequent.
- The investment professional's travel, accommodation, and personal incidental expenses will not be paid or reimbursed.

Financial Planning Software:

- Software of a general nature may not be provided.
- Software of a proprietary nature, designed by Foresters Asset Management Inc. and specific to Foresters Asset Management Inc. funds may be provided to investment professionals to assist in determining which Foresters Asset Management Inc. mutual fund is most appropriate for an investor, having regard to the investment objectives and financial condition of the investor.

Skill Enhancement Courses:

- Foresters Asset Management Inc. cannot financially subsidize skill enhancement courses (e.g. effective communications, presentation skills or practice management programs).
- Foresters Asset Management Inc. can pay registration fees for representatives attending an educational course that provides information about financial planning, investing in securities, the mutual fund industry or mutual funds generally.

Foresters Asset Management Inc. Golf Tournaments for Investment Professionals:

- Foresters Asset Management Inc. may invite an unlimited number of investment professionals to its golf tournament.
- Foresters Asset Management Inc. may pay for an investment professional's green fees, cart rentals, meals, etc. and provide promotional items of nominal value for the prize table.
- Foresters Asset Management Inc. is prohibited from paying clients (i.e. unitholders) of a dealer to play at a fund company golf tournament, as this would be classified as "client appreciation."
- Foresters Asset Management Inc. is prohibited from funding any of the overhead and organizational costs associated with a non-educational event such as golf tournaments

Section 5.6 *continued*

Dealer Golf Tournaments for Investment Professionals:

- Fund companies cannot fund any of the overhead and organizational costs associated with a non-educational event.
- Foresters Asset Management Inc. personnel can pay their own registration and green fees.
- Foresters Asset Management Inc. may provide promotional items for the prize table provided that these items remain nominal in value.

Section 7.1

COMMISSION REBATES

Commission rebates occur when a fund manager, distributor firm, or its investment professionals offer rebates to investors of the commissions otherwise payable on the redemption of their mutual fund securities. A dealer or representative may pay all or part of a fee or commission payable by a security holder on the redemption of securities of a mutual fund that occurs in connection with the purchase by the security holder of securities of a mutual fund in a different mutual fund family only if the dealer or an investment professional on behalf of the dealer, before taking any steps in connection with the redemption, provides the security holder with written disclosure detailing:

- A reasonable estimate of the amount of the fee or commission being paid by the participating dealer on redemption;
- A reasonable estimate of the amount of the redemption charges to which the security holder will be subject in connection with the securities of the mutual fund being acquired, expressed both as dollar amounts and as percentages of the value of the securities being redeemed;
- The tax consequences of the redemption;
- Obtains the written consent of the security holder to the completion of the redemption;
- The participating dealer is not a member of the organization of the mutual fund the securities of which are being acquired. Foresters Asset Management Inc. may accept instruction from a dealer, or dealer's investment professional, to assist in rebating a unitholder's deferred sales charge by depositing a portion of the dealer's commission into the client's account only if the dealer or investment professional provides the client with a written summary of:
 - All fees or commissions the dealer proposes to pay.
 - All redemption charges of the new fund.
 - Tax consequences of the redemption from the old fund.

In addition, the dealer or investment professional must execute Foresters Asset Management Inc.'s commission rebate agreement and utilize Foresters Asset Management Inc.'s commission rebate purchase form for each transaction.

Section 7.3

Charitable donations will be decided on a case-by-case basis. In general, Foresters Asset Management Inc. prefers to make charitable donations to organizations focused on medical research, healthcare, and education. Foresters Asset Management Inc. will consider making donations to other charitable organizations with worthwhile objectives that do not meet these criteria on an individual basis.

Foresters Asset Management Inc. may agree to make charitable donations at the request of a dealer or sales representative provided that:

- The organization must be a registered charity.
- The donation must be payable directly to the charity and the tax credit must belong to Foresters Asset Management Inc.
- The dealer or investment professional cannot receive any monetary benefit or non-monetary benefit, such as publicity, as a result of the donation.
- Foresters Asset Management Inc. can donate a prize to a charity auction provided that all proceeds go to the charity, the tax receipt is issued in the name of Foresters Asset Management Inc. , and the investment professional does not receive a benefit as a result of Foresters Asset Management's donation.

Co-operative Marketing

We are pleased to provide you with some tips to make the process of applying for co-op marketing simple and easy:

- Prior to an event (sales communication, seminar, etc.) please submit an **imaxxFunds** Co-op Marketing Pre-Approval Form to your dealer head office for authorization from your Compliance Department before sending it to Foresters Asset Management Inc. for consideration.
- Make sure you attach sufficient information to the Co-op Marketing Pre-Approval Form (itinerary of event, budget, script of radio\or TV commercial, sample of invitation or advertisement, course description, etc.) in order to assist both your dealer Compliance Department and Foresters Asset Management Inc. with the decision making process.
- Please ensure that the “primary purpose” of the event is educational. “Primary purpose” is based on the totality, including costs, time and content. Foresters Asset Management Inc. considers “primary purpose” of content to be 66% educational or promotional content about Foresters Asset Management Inc. funds, the Foresters Asset Management Inc. family of funds or mutual funds in general.
- All communications associated with the event must bear the Foresters Asset Management Inc. logo and include the words “co-sponsored by” or “paid in part by”.
- After your event, please submit an **imaxxFunds** Co-op Marketing Reimbursement/Cheque Request Form to your dealer Compliance Department for authorization. Please include all invoices and final copies of invitations, advertisements, etc., to a particular event. Remember to also include a copy of the previously authorized Marketing Pre-approval Form.
- Please note that all reimbursement cheques will be made payable and sent directly to your dealer unless otherwise instructed Cheques can be made payable to designated third parties (newspaper, printer, etc.) but not directly to the investment professional.

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