

**GENERAL TERMS AND CONDITIONS**

**FOR CAPITAL MARKETS TRADING**

**February 2013**

**General Terms and Conditions of Arctica Finance hf. for Capital Markets Trading**

These General Terms and Conditions apply to the contractual relationship between Arctica Finance hf. and the Client for capital markets trading or, as appropriate, to other transactions. They describe, for instance, how Arctica Finance hf. classifies its clients, drafting of contracts, communication routes, execution of transactions, arrangements for settlement, closing and acceleration of contracts, information disclosure and other aspects.

Clients are urged to seek advice before undertaking capital markets transactions and to acquaint themselves with the currently applicable laws and rules, such as Act No. 108/2007, on Securities Transactions, Act No. 128/2011, on UCITS and Investment Funds and Act No. 161/2002, on Financial Undertakings.

1. **Scope and purpose**

These Terms and Conditions apply to all transactions of Arctica Finance hf., Reg. No. 540509-1820, Katrínartún 2, 105 Reykjavík, Iceland, (hereafter also referred to as “**Arctica**”) with each client (hereafter also referred to as the“**Client**”) concluding transactions in financial instruments with Arctica's Capital Markets division or other divisions of the company as applicable. These Terms and Conditions therefore apply to all purchases and sales of financial instruments, foreign currency (“**FX**”) transactions and related services. These capital market Terms and Conditions apply in addition to any and all contracts which the Client may conclude with Arctica. In case of any discrepancy between these Terms and Conditions and those of individual contracts, the latter shall apply. Should the Client and Arctica conclude international master agreements, and any discrepancy arise between the provisions of such master agreements and these Terms and Conditions, the provisions of such international master agreements shall have precedence. These Terms and Conditions shall apply whether or not transactions are concluded by telephone, the Internet or by other means.

Arctica is licensed to operate as a securities company by the Iceland Financial Supervisory Authority (“**FME**”) and operates on the basis of Act No. 161/2002, on Financial Undertakings. Arctica's activities are regulated by FME as provided for in Act No. 87/1998, on Official Supervision of Financial Activities.

These Terms and Conditions describe the legal relationship between Arctica and the Client in capital market transactions. The Terms and Conditions are also intended to assist the Client in understanding the nature of those contracts covered by the Terms and Conditions, the rights and obligations of contracting parties, as well as the risk involved and what services are not covered by the Terms and Conditions. Arctica requires the Client to acquaint itself with these Terms and Conditions prior to concluding capital markets transactions with Arctica. The Client's attention is drawn especially to the fact that Arctica's Capital Markets division does not specialise either in transactions with retail clients nor in providing personal advice to investors and as a result it may prove necessary for the Client to obtain advice from external experts concerning transactions concluded on the basis of these Terms and Conditions.

If the Client is a legal entity, those persons who sign for the Client, or who are authorised to oblige the legal entity in accordance with these Terms and Conditions, must attest to the Terms and Conditions on its behalf.

These are standard Terms and Conditions from which no deviations are made for individual clients. Any endorse­ments, deletions, additions or other modifications which the Client may make to the Terms and Conditions, are not valid towards Arctica.

1. **Definitions**

The following definitions are used in these Terms and Conditions, as well as in other contracts which may be concluded which are within the scope of these Terms and Conditions:

**Banking day**: A business day when banks are generally open in Iceland and those financial centres relevant for the financial instruments specified in a contract.

**LIBOR interest rates**: The LIBOR (London InterBank Offered Rate) rates are the interest rates on the London interbank market as published at 11:00 am local time in London on the BBAM Bloomberg page.

**EURIBOR interest rates**: The EURIBOR (European InterBank Offered Rate) rates are the interest rates on the interbank market in EMU member states as published at 11:00 am local time in Brussels on the EBT Bloomberg page.

**Financial instrument**: The definition of a financial instrument shall be the same as in Act No. 108/2007, on Securities Transactions. Financial instruments include equities, bonds and other transferable securities, money market instruments, units and derivatives.

**Listed financial instrument**: A financial instrument which has been admitted to trading on a regulated securities market.

**Unlisted financial instrument**: A financial instrument which has not been admitted to trading on a regulated securities market.

1. **Commencement of business relationship**

**Client due diligence and classification**

In accordance with the provisions of Act No. 64/2006, on Measures Against Money Laundering and Terrorist Financing, Arctica must carry out due diligence on its clients. If the client is a natural person, he/she must verify his/her identity by presenting valid personal identification. Valid personal identification can be a passport, driver's license or identification card issued by a public body. Arctica must take a copy of the personal identification presented and preserve it as provided for by law. In accordance with the Act on Measures Against Money Laundering and Terrorist Financing, Arctica must also acquire information on proposed transactions. The Client must complete a special questionnaire for this purpose.

A legal entity must verify its identity by providing a certificate from a public registry as appropriate, its Articles of Association, audited annual financial statements and rules as to who is authorised to oblige the company. According to Act No. 64/2006, on Measures Against Money Laundering and Terrorist Financing, Arctica must also obtain information on proposed transactions as well as information as to who are the principal owners/shareholders of the legal entity in question and its directors. The Client must complete a special questionnaire for this purpose. Those persons authorised to sign for legal entities, their managing directors and directors, must furthermore verify their identity by presenting valid personal identification. Arctica will take copies of personal identification presented and store these in its database as provided for in the above-mentioned Act. Exemptions from the above are granted on the basis of Art. 15 of the above-mentioned Act.

Arctica must, pursuant to Act No. 108/2007 on Securities Transactions, classify each client as a retail client, professional client or eligible counterparty; Arctica has different obligations towards each of these client classifications. Clients who are not informed otherwise by Arctica are considered to be retail clients.

To fulfil statutory provisions, Arctica reserves the right to demand at any time additional data and information on the Client, the beneficial owner of funds and purpose of transactions. In affixing its signature to the Terms and Conditions, the Client affirms that those funds which it provides to Arctica are its own and that the Client is deemed to be the beneficial owner of the funds unless the Client informs Arctica otherwise in writing. Should the Client wish, upon commencing the business relationship or later, to provide funds owned by other parties or if other changes occur to information previously provided, the Client must inform Arctica thereof in writing; Arctica may then require all necessary information in this regard. The Client furthermore affirms the lawful origin of funds which it may deliver to Arctica.

The Client must inform Arctica if it is regarded by any domestic or foreign bodies as a politically exposed person (PEP) as defined in Act No. 64/2006, on Measures Against Money Laundering and Terrorist Financing.

If the Client is a foreign legal entity, Arctica shall be authorised to apply for an Icelandic Reg. No. for the Client from Statistics Iceland at the Client's expense. Should Arctica so require, the Customer must provide written confirmation from an attorney that the attorney has been granted power of attorney to accept summonses and notifications of any type concerning the parties' transactions on behalf of the Client.

1. **Custody**

These Terms and Conditions do not imply that Arctica will undertake to provide custody for financial instruments or other assets for the Client; this will only be done if a special custody contract is concluded. Custody of financial instru­ments will therefore be provided by the custodian with whom the Client has concluded a specific agreement. These Terms and Conditions do not grant Arctica power of attorney to handle the Client's financial instruments and assets which are preserved by a custodian.

Arctica shall not be responsible for actions or omissions by those custodians with whom the Client has concluded an agreement, unless Arctica is the custodian. In addition to what is provided for in these Terms and Conditions, provisions of Acts and Regulations shall apply concerning Arctica's obligations to preserve financial instruments and other assets of the Client.

1. **Arctica's services**

The Client has no unilateral claim on Arctica to conclude specific contracts or provide services on the basis of these Terms and Conditions. The consent of Arctica's employees is required to conclude all contracts and transactions and Arctica may unilaterally agree to or refuse requests by the Client for transactions and, as appropriate, require such data, information or collateral as Arctica deems a necessary prerequisite for concluding a contract or transaction. Should Arctica refuse to conclude or execute specific transactions for the Client, this shall not comprise termination of these Terms and Conditions.

Arctica may not act as an intermediary in securities trading if its employees are aware or suspect that such trading may violate the provisions of the Act on Securities Transactions. If an employee suspects that a transaction may infringe against Acts or Regulations, this will be notified to the immediate superior or the compliance officer, who may be obliged to notify FME immediately thereof.

Arctica may undertake on its own initiative, although not obliged by law, to communicate to the Client research results, reports and information concerning investments, financial market circumstances and investment oppor­tunities in general (hereafter referred to as “general market information”). The Client understands that any such general market information communicated by Arctica may be incomplete and uncorroborated, and that it is only communicated to the Client for information and interest purposes, and that it is communicated to a group of Arctica's clients and possibly others as well. Such general market information does not take into account the financial situation or other aspects concerning the Client specifically, is not directed specifically to the client and does not take into consideration the Client's financial position or previous transactions. It is completely up to the Client to decide whether it pursues such general market information further or takes any action on its basis. Should the Client decide to do so, Arctica recommends that it seek expert advice from a third party in this regard as the Client deems appropriate for its needs.

Arctica does not provide investment advice, as understood by the Act on Securities Transactions, unless a special written agreement has been concluded to this effect after Arctica has assessed whether specific advice is suitable for the Client concerned.

The Client is aware that Arctica does not provide advice or services in connection with tax liability or taxation of transactions concluded on the basis of these Terms and Conditions and related agreements. The same applies to legal advice and advice on tax returns or other advice in connection with auditing.

1. **Client's power of attorney**

By consenting to these Terms and Conditions the Client grants those parties which are specified on the signature page of these Terms and Conditions power of attorney to conclude transactions with Arctica, sign contracts and issue instructions. If no party is specifically listed there, Arctica may assume that the Client has granted its authorised signatories, CFO and managing director/CEO, at any given time, power of attorney to conclude transactions with Arctica, sign contracts and issue instructions based on these Terms and Conditions. The Client may specifically limit the authorisation of these parties, provided this is notified in writing to Arctica. Such limitations do not take effect, however, until they have verifiably been notified to Arctica; until such time the power of attorney shall cover all transactions and services provided by Arctica at any given time, including transactions with any type of listed and unlisted financial instruments and FX.

Should there be the least doubt, in Arctica's assessment, as to the authorisation or power of attorney of the party concerned or his/her status, Arctica may refuse to conclude transactions until the authorisation of the party concerned has been demonstrated satisfactorily.

The Client may grant power of attorney to a third party to conclude transactions and give instructions on behalf of the Client, provided such authorisation is in writing and is deemed sufficient by Arctica and attested to by the Client, inter alia its Board of Directors in the case of a legal entity. The power of attorney shall be in effect until Arctica has received written notice of its modification or cancellation, or until it expires as provided for by its contents. Until such time Arctica is fully authorised to conclude transactions in accordance with instructions from such an agent or to take measures in accordance with such instructions. A Client, who has granted power of attorney, agrees that Arctica will not be liable for damages if it concludes agreements or transactions at the request of the agent and Arctica is not obligated to check specifically whether an agent is authorised to issue the orders concerned or conclude agreements or transactions as long as they fall within the scope of the power of attorney.

1. **Conclusion of agreements and communications between parties**

Agreements may be concluded and the Client may send requests and instructions to Arctica either in writing, by telephone, fax, e-mail and/or, as the case may be, on the Internet through Arctica's website. All agreements and instructions for transactions are legally binding regardless of their form. Communications shall be conducted in Icelandic unless Arctica and the Client have agreed otherwise. Arctica may demand that all communications which are not made in writing be confirmed by the Client in writing or by electronic means within the time limit determined by Arctica.

The originals of all agreements concluded on paper must be sent to Arctica no later than 21 (twenty-one) days from the time the agreement takes effect or prior to the date of maturity if this is within that period.

All documentation concerning transactions between Arctica and the Client must be sent to the postal address, e-mail or fax number provided to Arctica by the Client in accordance with these Terms and Conditions. A client is assumed to have received notifications sent by Arctica by registered mail to the address which the Client has provided to Arctica. If a notification is communicated by telephone, it is assumed that it has been received immediately and that the Client is aware of its substance. If a notification is sent by e-mail, fax or similar means of communication to a number or e-mail address which the Client has specified, it will be assumed to have been sent to the correct location and received immediately by the Client.

The Client confirms that it is aware that use of e-mail and other electronic communications may involve risk and that such means of communication do not ensure privacy or security in communication. Arctica is not liable for damages which the Client may sustain in using the above-mentioned means of communication, e.g. if an e-mail is not received due to technical events, or resulting from unclear instructions, for instance, in a fax or telephone call. The Client also bears the responsibility if the software or hardware or operating system of computers or equipment, or similar services of third parties, which it uses to receive notifications, fails or does not function properly and notifications are received late, only partly or not at all.

The Client shall be responsible for ensuring that all information concerning it is correct and for informing Arctica of any changes to this. The Client must, for instance, notify Arctica immediately of any changes to its address, telephone number, e-mail address or other contact information.

The Client shall direct all written communications to Arctica Finance hf., Katrínartún 2, 105 Reykjavík, Iceland, fax communications to +354 513 3339, and e-mail to midlun@arctica.is, unless instructed otherwise by Arctica. A notification will not take effect until Arctica has confirmed its receipt.

The Client confirms that it has permanent and secure access to the Internet and agrees that Arctica may provide information on its website, www.arctica.is, in connection with Arctica's contractual relationship with the Client. Such information may include, for instance, Arctica's policy in executing orders, information on markets, its policy on measures to prevent conflicts of interest, a survey of the risks of financial instruments, these Terms and Conditions and minor changes to them, information on tariffs and commissions as well as information on services and fees for products and services.

The Client confirms that Arctica may announce changes to previously published information, data and rules by electronic means, and send in the same manner summaries of and information concerning transactions and their settlement, unless the Client requests to have the above-mentioned information sent by regular mail.

1. **Execution of transactions**

The Client is aware that Arctica may set a ceiling for trans­actions which may be restricted to a specific amount or number of transactions.

When transactions are concluded, or if instructions for transactions are received or communicated on behalf of the Client, Arctica will execute orders in accordance with Arctica's policy on order execution and the Client's class­ification. Arctica's policy on order execution and the provisions of these Terms and Conditions in this regard do not apply to Clients who have been classified as eligible counterparties.

If a Client wishes to use access to the Automatic Order Routing System through Arctica, a special agreement must be concluded for the Client's use of such system.

Purchase of financial instruments

For purchases which are concluded on its behalf, the Client must pay the total amount of the transactions concluded in the currency in which the financial instrument in question is issued, unless otherwise agreed in writing. Payment must be received by Arctica no later than 10:00 am on the settlement date of the transaction as defined for the financial instrument concerned on the trading venue in question.

The Client must itself issue instructions to its custodian and bears the responsibility for transferring rights to financial instruments, except in instances where Arctica is the Client's custodian, in which case these transactions shall be as provided for in the custody contract.

Sale of financial instruments

The Client is responsible for ensuring its authorisation to dispose of one or more financial instruments which it has given orders to sell. The Client grants Arctica full and unlimited power of attorney to take the necessary measures to sell the financial instrument specified in the Client's instructions, as provided for by Acts and rules. Payment shall be made to the Client on the trade settlement date as defined for the financial instrument concerned on the trading venue in question and in the currency in which the financial instrument concerned was issued, unless otherwise agreed in writing.

If the financial instrument which is to be sold for the Client is not in Arctica's custody, the Client must deliver the financial instrument, which it has authorised Arctica to sell, into Arctica's custody as promptly as possible and at the location specified by Arctica, at the latest by 11:00 on the settlement date of the transaction as defined for the financial instrument concerned on the trading venue in question.

In those instances where Arctica has not received the necessary right to dispose of a financial instrument within the above-mentioned time period, Arctica shall have full and unlimited power of attorney, at its discretion and in such manner as Arctica deems most advantageous, to acquire a financial instrument or borrow a suitable financial instrument to conclude the transaction/sale and settle the transaction, in accordance with instructions from the Client, with the purchaser of the financial instrument by delivering to it another financial instrument of the same sort as that which the Client's instructions concerned. The Client is responsible for indemnifying Arctica completely in the above-mentioned measures and for paying all costs, commissions and expenses in connection with such transactions. Arctica shall never be obliged, however, to undertake the measures specified in this Section.

Should the Client fail to deliver a financial instrument to Arctica at the right time, or to deliver it within the above-mentioned period, the Client shall indemnify Arctica for such and must bear any expense or damages resulting therefrom, including any fines which the trading venue concerned, a public body or other third party may levy on Arctica or resulting from claims of other parties who may be entitled to damages from Arctica as a result of the Client's failure to fulfil its obligations.

Revocation of orders for transactions, unclear instructions and cancelled transactions

The Client shall be fully responsible for its instructions given to Arctica. Arctica may, but is not obliged to, decide at its discretion, without consulting the Client and without any liability on Arctica's part, not to execute or to cease to execute orders, whether this concerns orders for the purchase or sale of financial instruments, or to conclude a transaction on behalf of the Client in the following instances:

1. if such orders are cancelled or suspended by the market concerned (stock exchange, regulated securities market or multilateral trading facility);
2. if it appears evident, in Arctica's estimation, that an order is intended to improperly affect price formation in the trading system of the stock exchange concerned, if the order has no commercial purpose or is intended to delay or prevent access by other parties to the trading system;
3. if Arctica is of the opinion that instructions for a transaction are unclear, insufficient, questionable, contradict other instructions or are simply incorrect because of errors/mistakes on the part of Arctica, the Client or the counterparty in a transaction, i.e. the party who purchases from or sells to the Client through the intermediation of Arctica;
4. if Arctica is of the opinion that there is doubt as to whether the instructions for a transaction come from the Client or its agent;
5. if a technical disruption in trading and settlement systems can prevent the normal conclusion of the transaction, in Arctica's estimation;
6. if the Client violates the law or rules of the market concerned;
7. if market circumstances change from the time the Client sent or gave instructions for a transaction and they cannot be complied with.

Should the Client become aware that it has given instructions to buy or sell which are incorrect or insufficient or not in accordance with its intentions, the Client obliges itself to notify Arctica thereof immediately and the Client then grants Arctica full authorisation and discretion to assess whether orders for a transaction on the market concerned can be revoked; Arctica does not guarantee that this will be possible.

If a Client's instructions are unclear or insufficient, Arctica reserves every right to execute, without any liability for damages, the instructions as it deems in good faith they should be understood or to refuse to conclude the transaction until the Client has rectified the instructions, provided explanations for them or altered them in such manner as Arctica deems satisfactory. The Client agrees to assume full responsible for any loss which Arctica may sustain as a result of its endeavours to execute orders of the above sort.

Clearing and Settlement

Clearing and settlement of financial instruments shall be made in accordance with the applicable rules on the securities market where the securities in question are obtained or where they have been admitted to trading, if off-exchange transactions are concluded, unless otherwise agreed in writing.

1. **Off-exchange transactions**

The Client agrees that Arctica may execute its orders for transactions and conclude transactions outside of regulated securities markets or multilateral trading facilities. The Client agrees, furthermore, that if it places contingency bids or offers for one or more financial instruments it shall be up to Arctica to assess whether or when such orders shall be made available to other market players.

1. **Collateral**

Arctica may demand collateral in connection with individual transactions. If no collateral has been demanded for specific contracts, Arctica reserves the right to make such demands later. If the Client wishes to persist with a transaction, it is obliged to sign a special agreement concerning collateral, pledges, guarantee securities or other similar documents as appropriate, which are satisfactory in Arctica's assessment.

1. **Right to appropriate financial instruments**

If a claim in connection with a transaction covered by these Terms and Conditions is not settled on the due date or, as the case may be, the acceleration date, Arctica shall be entitled to appropriate the financial instrument and any cash which may be in the Client's custody account with Arctica for payments to which Arctica may be entitled from the Client. Arctica may debit bank accounts and sell those financial instruments which it is entitled to appropriate to cover such debts, together with interest and expenses arising from them.

1. **Set-offs (netting) of contracts and transfer**

The following provisions shall apply concerning set-offs (netting) in FX and securities transactions, including derivative contracts:

1. If contracts covered by these Terms and Conditions involve opposite obligations which are to be settled in the same payment on the same date, e.g. in the same currency or type of financial instrument, Arctica may demand a set-off, so that only any difference which may result is paid.
2. If contracts covered by these Terms and Conditions involve opposite obligations which are to be settled on the same date but not in the same payment, Arctica may nonetheless demand a set-off, so that only any difference which may result is paid. If payments are not in the same currency, Arctica may convert the payment to Icelandic króna (“**ISK**”) or other currency agreed upon before making the set-off.
3. If the Client's debts or obligations under an agreement covered by these Terms and Conditions are accelerated, Arctica may set-off claims under all agreements covered by these Terms and Conditions so that profits or losses of both parties are combined and settlement only made of any difference remaining.

The provisions of Section 13 (Default and authorisation to foreclose) shall apply to settlement as referred to in this Section, i.e. valuation and conversion of financial instruments.

A claim as referred to in subparagraphs A-C of the first paragraph of this Section must be submitted with at least two banking days' notice, and in tandem with a notification of default as referred to in subparagraph C of the first paragraph of this Section.

If the Client has fulfilled all its obligations towards Arctica, Arctica will pay the Client the net amount of the claim concerned in the currency in which the financial instrument concerned was issued, unless otherwise agreed in writing. The currency must be stated on the transaction receipt.

Once the Client has agreed to these Terms and Conditions they shall comprise a binding agreement between the Client and Arctica, as understood by Chapter V of Act No. 180/2007, on Securities Transactions, to the effect that obligations of Arctica and the Client provided for in derivative contracts shall be set-off against each other in the case of renewal, default, moratorium, composition or winding-up and the contract shall continue to be fully valid, notwithstanding the provisions of Articles 91 and 100 of Act No. 21/1991 on Bankruptcy etc. Furthermore, collateral rights provided to secure derivative transactions cannot be rescinded notwithstanding the provisions of Art. 137 of Act No. 21/1991, on Bankruptcy etc.

Should the Client be covered by provisions of Act No. 46/2005, on Financial Collateral Arrangements, Arctica shall be authorised to set-off and enforce agreements with the Client as provided for in that Act.

1. **Default and foreclosure**

Minor default

Should the Client fail to fulfil its obligations as provided for in these Terms and Conditions or agreements which make reference to these Terms and Conditions, without such default being considered major, the Client is allowed two banking days to rectify the situation which resulted in the said default.

Substantial default

Should the Client substantially fail to fulfil its obligations as provided for in these Terms and Conditions or agreements which make reference to these Terms and Conditions, Arctica may, but is not obliged to accelerate, settle or close a contract or contracts, in whole or in part, without prior notice. Acceleration shall mean transferring the final date of a contract to the acceleration date. Closing with a counter agreement to eliminate the overall market risk shall be concluded at a normal price based on the current market prices, market interest rates and terms of the Client. Calculations of profit/loss shall have reference to the market circumstances on the acceleration date.

The events listed below shall always be regarded as substantial default according to these Terms and Conditions:

1. if the Client has not rectified the default within the time limit prescribed in the first paragraph of Section 13 (Minor default);
2. if the Client is in default to Arctica on other dealings not covered by these Terms and Conditions and has not rectified the situation within two banking days of the time the default began or has repeatedly been in default to Arctica;
3. if the Client violates provisions of agreements with Arctica on collateral or collateral arrangements;
4. if signed and witnessed written contracts have not been received by Arctica by e-mail or fax as provided for in these Terms and Conditions or within two banking days from the date of the contract or before the due date/settlement date if that occurs within that time period;
5. if the paper originals of written contracts have not been received by Arctica as provided for in these Terms and Conditions or within 21 (twenty-one) banking days from the date of the contract or before the due date if that occurs within that time period;
6. if (i) the Client's property is attached, (ii) the Client requests a moratorium, (iii) the Client seeks composition, (iv) the Client concludes agreements with general creditors on partial write-down of debts, (v) a petition is made for the Client's insolvency (or the law authorises or requires the submission of such a petition), (vi) a request is made for forced auction of the Client's assets, or (vii) the Client's financial situation is such that there is substantial probability that it will not be able to fulfil its obligations under these Terms and Conditions or agreements concluded on their basis;
7. if the Client is a legal entity and has neglected to inform Arctica of a decision on a merger, split or change in the company's purpose, or neglects its information disclosure obligations as referred to in Section 18 (Client's disclosure obligations and notifications);
8. if the Client provides incorrect or insufficient information upon commencing the business relationship or fails to give notification of changes to information previously provided or information which could affect agreements between the parties;
9. if the Client does not fulfil its obligations to make payment on the settlement date for a financial instrument or contract.

Notifications

Arctica must notify the Client of any acceleration of its obligations or settlement or closure of contract(s) due to major default. Arctica may send such notification by telephone, e-mail or fax.

Methods of settlement, valuation and conversion

In the case of set-offs, acceleration or closing of a contract Arctica shall handle calculation of the Client's profit/loss on the agreement concerned. Arctica shall send the Client this calculation no later than 21 (twenty-one) days after the acceleration or closing of contracts, if the Client so demands.

In assessing the market value of listed financial instruments Arctica may, but is not obliged to, use the closing price on the market concerned the day prior to the assessment as a basis, unless otherwise stated in the agreement. Arctica may also base its assessment on the closing price on a number of trading days, having regard to the turnover of the securities on individual dates, e.g. if price formation on the day prior to the valuation was abnormal, in Arctica's opinion. Arctica shall carry out a valuation of unlisted financial instruments, based on the price which leading financial undertakings concluding transactions for the financial instruments concerned with Arctica pay for them.

Arctica may, but is not obliged to, convert claims in foreign currency to ISK on the acceleration date or, as appropriate, the due date of a claim or later. In such instances the buying rate quoted by the Central Bank of Iceland at 11:00 am on the settlement date shall be used as reference unless otherwise stated in an agreement.

If the Client's obligations are accelerated or its contract(s) closed or settled, in full or in part, Arctica shall be fully authorised to seek to enforce all of its claims, in whatever manner it chooses, without further notice.

Calculation of penalty interest

The Client shall pay penalty interest on a claim from Arctica from the due date or, as the case may be, the acceleration date if a claim is accelerated before the agreed due date. Unpaid penalty interest shall be added to the debt principal at twelve-month intervals, in the first instance twelve months after the first default date, regardless of whether the debt is in ISK or foreign currency.

Claims in ISK

Claims in ISK or claims which have been converted to ISK as referred to in this Section shall bear penalty interest in accordance with the current decision by the Central Bank of Iceland on the base rate for penalty interest and default premium, cf. provisions of Chapter III of Act No. 38/2001, on Interest and Inflation Indexing, on an amount due or accelerated from the date due or acceleration date until the date payment is made.

Claims in foreign currencies

Claims in foreign currencies which are not converted to ISK, shall bear penalty interest which is 7.5 (seven point five) percentage points higher than the interest agreed upon in the transaction concerned, i.e. 7.5 percentage points shall be added to the agreed interest rate. If a penalty interest rate was agreed upon in the contract for a transaction, however, those provisions shall apply.

If a claim does not bear contractual interest, e.g. in the case of a cash transaction with a financial instrument, penalty interest shall be as follows:

1. Claims in EUR shall bear 1M EURIBOR interest as currently determined, plus a default premium of 12.5 (twelve point five) percentage points on the amount due or accelerated from the date due or acceleration date until the date payment is made.
2. Claims in other foreign currencies shall bear 1M LIBOR interest as currently determined for the currency concerned, plus a default premium of 12.5 (twelve point five) percentage points on the amount due or accelerated from the date due until the date payment is made. If the currency in question is not generally included in the Bloomberg BBAM rate schedule, the interest rate shall be based on other interbank interest rates or interest rates on the currency swap market as currently quoted by Arctica.

Costs

In the case of default by the Client, it is obliged to pay Arctica all costs incurred by Arctica resulting from the default, litigation or other court costs, remuneration to legal counsel or other expense to be paid by Arctica, as well as other legal costs resulting from collection in accordance with these Terms and Conditions, and cost in accordance with tariff.

Enforcement authorisation

In the event that the Client's obligations are accelerated or contracts closed, in full or in part, Arctica may, without prior notice, seek satisfaction for its claims in the collateral provided by the Client and assets which Arctica is entitled to attach in the Client's custody accounts with Arctica or Arctica's custody and settlement bodies. Arctica may at its discretion decide whether to seek satisfaction in all the collateral pledged or only assets appropriated or only part of them and, in such case, in what order it proceeds.

Arctica may seek satisfaction either by having the pledged collateral or attached assets sold at forced auction to satisfy a debt without prior court judgement, conciliation or execution, as provided for in Art. 6 of Act No. 90/1991, on Forced Auction, to the extent necessary for Arctica to obtain full payment, or by selling the pledged collateral or appropriated assets on the market or by acquiring assets at its discretion to the extent necessary to satisfy its claims.

1. **Commissions, charges and other costs**

The Client shall pay Arctica commissions and fees for services provided in accordance with Arctica's tariff at any given time. Arctica's tariff is accessible on its website www.arctica.is/en/information. Commissions may, in certain instances and as provided for in agreements between the Client and Arctica, be higher or lower than commissions in Arctica's tariff.

In addition to fees and commissions for Arctica's services the Client shall reimburse Arctica for all other costs resulting from business transactions between the Client and Arctica, such as fees and commissions in connection with orders for transactions, custody fees, transfer fees, registration fees and stamp duty, as well as other taxes and public levies, which may be payable on the Client's transactions covered by these Terms and Conditions.

The Client must pay fees, commissions and costs on the date this is requested, which is considered to be the due date unless otherwise agreed. The Client agrees that it will pay the fees, commissions and costs which it is to pay in accordance with these Terms and Conditions without any conditions, and without set-offs on its part or counterclaims or deductions of any sort.

When settlement is made of the sale of financial instruments, accrued fees, commissions and cost shall be deducted from the payment unless Arctica and the Client have agreed otherwise in writing. Similarly, accrued fees, commissions and cost shall be added to the payment in the case of a purchase by the Client of a financial instrument.

Should a Client fail to pay fees, commissions and cost on the due date, it must pay penalty interest on such claims as provided for in Section 13 of these Terms and Conditions (Default and acceleration).

1. **Liability**

The Client is aware that transactions which it may conclude on the basis of these Terms and Conditions may be especially risky. Transactions in unlisted financial instru­ments are considerably riskier than in listed financial instruments, in part because there is often no reliable information on their issuers and liquidity and price formation is generally more limited than for listed financial instruments, with the result that it may take a longer time to dispose of unlisted financial instruments and their pricing entails greater uncertainty. High risk can also be involved in derivative transactions. In addition, the value of the Client's investments may be subject to price fluctuations on financial markets in Iceland or abroad. The Client shall avoid concluding transactions with financial instruments unless it is aware of the risk involved in such transactions and must take the initiative in informing Arctica if there is any doubt regarding its knowledge in this respect. Further details of the risk involved in transactions with different financial instruments are available from Arctica's Capital Markets employees and on Arctica's website, www.arctica.is/en/information.

Arctica does not provide investment advice on individual transactions in the sense of Point 4 of the first paragraph of Art. 2 of Act No. 108/2007, on Securities Transactions, unless specifically agreed upon between the Client and Arctica. The Client must therefore itself obtain investment advice from external experts if it deems such necessary. If the Client requests the opinion of Arctica's employees regarding specific transactions, it is emphasised that any opinions provided to the Client by Arctica's employees on the basis of such a request are based solely on the opinions on the employee in question at that time and may change without notice, and may not be regarded as assistance in selecting investment options on offer at any given time.

Arctica is neither responsible for financial instruments delivering the returns which Arctica or the Client may expect, nor for currency developments to be in line with the aspirations of these parties. Furthermore, Arctica is not liable for any alleged losses by the Client due to a decrease in the price of financial instruments or changes in price developments following acceleration, e.g. alleged profits of the Client on price changes had acceleration not been applied.

The Client is aware that Arctica's transactions covered by these Terms and Conditions include neither marketmaking nor asset management. As a result, Arctica is not responsible for notifying the Client of the position of contracts or their closing at certain limits unless such is specifically agreed upon. It is therefore the Client's responsibility to monitor the position and development of the contracts it concludes with Arctica.

If Arctica has availed itself of the intermediation of a third party in executing the Client's orders, Arctica shall not be liable for the actions or omissions of this party except in instances where Arctica has not followed its own policy for order execution in selecting such parties. If Arctica has availed itself of the intermediation of a specific third party in accordance with instructions from the Client, Arctica shall not under any circumstances be responsible for the actions or omissions of such party.

As market conditions may change significantly in a brief period of time, Arctica cannot guarantee that it will be possible to execute the Client's orders for a transaction at the price requested or in accordance with the Client's specific wishes. Arctica shall not be liable for any damages or loss which the Client may sustain if its request to conclude a contract or conclude a transaction or an order for a transaction are executed at a less favourable rate than the Client anticipated, e.g. due to price development during the time it takes to process the request or to technical difficulties which may arise in processing and concluding the transaction. This provision shall, however, only apply insofar as the request was in other respects dealt with in accordance with the Client's instructions.

Arctica shall not be liable if the Client fails to fulfil its obligations towards Arctica, so that Arctica appropriates collateral or avails itself of its authorisation to sell assets pledged, or in other respects enforces its claims, at a lower price or rate than the Client may have expected.

If a tax or levy is charged on transactions covered by these Terms and Conditions, the Client must pay those additional fees directly to the authority concerned, so that Arctica receives the full amount which is to be paid to it under the agreement concerned. Arctica shall not be liable for losses which the Client may sustain if taxes or public levies which are to be withheld from the Client are not withheld or are incorrectly withheld.

Arctica shall not be liable for damages or losses which the Client may sustain which are attributable to force majeure, such as natural catastrophes, terrorist attacks, war, impending armed conflict or unrest, epidemics, strikes, lockouts, border closings, trade sanctions or blockades, or other comparable events. Nor shall Arctica be liable for damages or losses arising from events of political, financial, social, economic or technical nature, including disruptions to communications, which are liable to prevent, interrupt or disrupt wholly or partially the services provided by Arctica, even if such events are not classified as *force majeure.*

Arctica shall not be liable for any indirect or direct damage which the Client may sustain as a result of Icelandic or foreign laws or rules or actions undertaken or not undertaken by Icelandic or foreign governments. Furthermore, Arctica shall not be liable for any indirect or direct damage which the Client may sustain due to actions or omissions of Icelandic or foreign stock exchanges, markets or trading facilities, custodians, securities depositories or other financial undertakings pursuing activities subject to licence and offering similar services.

Arctica shall not be liable for direct or indirect losses or damages of the Client which may result from technical failure or errors in software, operating systems, networks, telecommunications systems (including telephones, SWIFT, fax machines and similar equipment), interruption or disruptions of such systems, electrical failure, breakdowns or disruption of computer systems, equipment and hardware, whether such equipment is owned or used by Arctica, or damages to data records regardless of whether Arctica or a third party is responsible for operation of the systems.

Arctica shall not be liable for loss, damage, cost or expense whether due to negligence, breach of contract, misleading information or other reason, which the Client may incur as a result of a contractual relationship established on the basis of these Terms and Conditions or other agreements covered by these Terms and Conditions, unless such losses are the foreseeable result of or arise directly from gross negligence, intent or fraud on Arctica's part. Arctica's liability shall not under any circumstances include indirect losses which the Client or a third party may incur or damage due to loss of profit, nor shall Arctica's liability cover loss of goodwill or loss of business opportunities which may occur or arise in connection with these Terms and Conditions, whether this is due to negligence, breach of contract, misleading information or other reasons.

Should a situation arise as referred to in this Section, which prevents Arctica from fulfilling partially or wholly its contractual obligations towards the Client, in accordance with instructions for a transaction, then Arctica's obligation to comply with such instructions shall be postponed until the situation referred to above is alleviated and they can be executed, e.g. when markets re-open or a strike ends. If as a result of the above-mentioned situation payment cannot be made or received in accordance with instructions or agreements, neither the Client nor Arctica shall be required to pay interest because such payments are postponed.

1. **Conflicts of interest**

The Client is aware that Arctica is a securities company and concludes transactions on the market for its other clients. Arctica has adopted a policy to prevent conflicts of interest, which provides for measures to be taken to avoid conflicts of interest between Arctica and the Client, as well as between Arctica's clients. If Arctica becomes aware that it has interests or obligations which conflict with those of the Client, pursuant to the above-mentioned policy, Arctica must respond in accordance with this policy and take such measures as may be realistically expected to prevent losses to the Client due to such conflicts of interest. Arctica is not obliged to disclose the scope of such interests nor income or profit in connection with such interests or obligations, as Arctica may be unauthorised to disclose such information.

1. **Arctica's disclosure obligations and notifications**

Arctica shall send the Client a confirmation, in writing or electronically, of each transaction with financial instruments or FX concluded on the Client's behalf, within 15 (fifteen) days of the date of the transaction. If the Client raises no objection to the confirmation at first opportunity, and no later than within 30 (thirty) days of its date, Arctica may assume that the confirmation contains correct information on the transaction unless the information is obviously incorrect or insufficient. Should such errors be revealed, they shall be rectified and a notification sent to this effect. Arctica's data shall, unless demonstrated to be incorrect, serve as evidence of transactions by the Client and Arctica in connection with the services provided on the basis of these Terms and Conditions.

If a contract is accelerated or the Client fails to make payment on the due date, Arctica shall send the Client notification of Arctica's calculation of the Client’s payment obligation and, as the case may be, the value of collateral which has been appropriated. The notification must be sent within 21 (twenty-one) days of the due date, acceleration date or the date the collateral was appropriated.

Arctica will send the Client a statement of and information on services provided in accordance with provisions of laws and rules thereto. Such a statement also contains information on the cost of services. If the Client wishes further summaries or confirmations, or information in another format, it must bear any cost arising from such.

1. **Client's disclosure obligations and notifications**

In agreeing to these Terms and Conditions, the Client obliges itself to notify Arctica immediately:

* of any existing or foreseeable events of default as referred to in these Terms and Conditions and agreements related to them, cf. Section 13 (Default and foreclosure);
* if changes occur to information previously provided concerning the Client, including any type of information or assumptions which could result in a change in Arctica's classification of the Client as a retail client, professional client or eligible counterparty;
* if the Client is no longer the beneficial owner of funds or financial instruments which it may have delivered to Arctica;
* if the Client becomes an insider or financially connected party, as referred to in Chapter XIII of the Act on Securities Transactions, or if other comparable reasons limit the Client's authorisation to conclude transactions with certain financial instruments or FX. Arctica is not, however, responsible for giving notification of insider trading. The same applies to obligations to notify to which the Client may be subject due to flagging rules, cf. the provisions of the Act on Securities Transactions.
* If a Client who is a natural person dies, or a Client which is a legal entity is wound up, Arctica must be notified at first opportunity. A competent party must notify Arctica of the disposition of the Client's rights and obligations. If Arctica has not received information from such a party, the information previously provided, e.g. on authorisation to represent the Client, shall be regarded as correct, in addition to which Arctica shall then be authorised to accelerate and/or close the Client's contracts with Arctica. Arctica bears no responsibility for any loss which may arise as a result. Arctica reserves the right to refuse to follow instructions if there is the least uncertainty as to who is entitled to make decisions concerning the rights and obligations of the Client following decease/winding-up; Arctica shall not be responsible for any loss which may occur as a result.
* If the Client is a legal entity and major changes are made to its ownership or a decision is taken on a merger, split or other type of termination of the legal entity. The same shall apply if changes are made to persons granted authorisation to sign for the legal entity or to the purpose of the legal entity. Until such time as Arctica has received written information on changes in this regard, Arctica is entitled to regard information previously provided as correct. Arctica may terminate all agreements which exist between Arctica and the Client if Arctica is of the opinion that the above-mentioned changes have a substantial negative impact on Client's operating basis, financial status or ability to fulfil its obligations. Should Arctica decide to terminate agreements in accordance with this provision, notice of termination shall be three days from the date on which Arctica notifies the Client of its decision to terminate the Client's agreements with Arctica. All contracts shall then fall due immediately upon the expiration of the notice of termination and a financial settlement shall take place immediately. In other respects the provisions of these Terms and Conditions shall apply to termination and notice of termination by the parties.
* if any changes occur to the Client's situation, whether it is a natural person or legal entity, with the result that documentation provided upon the commencement of the business relationship no longer applies, e.g. if changes are made to parties authorised to sign, to the managing director/CEO or agent. New documentation must then be provided without delay;
* If other changes occur concerning a Client which could affect agreements between the parties.

If the Client is a legal entity it obliges itself to send Arctica, in addition to the documentation which it delivers in accordance with Section 3 (Commencement of business relationship), its audited annual financial statements and all interim statements which are examined by an auditor. This documentation must be provided as soon as it is available.

1. **Recording of Telephone Conversations**

The Client is aware of and accepts that telephone conversations between the Client and Arctica may be recorded without specific notification in each instance. The Client agrees that such recordings may be submitted in court actions or used as evidence in other instances if disagreement arises as to what passed between the parties, such as concerning the premises and/or execution of specific contracts. The recordings are made to ensure better the security of both the Client and Arctica and to prevent possible misunderstanding. Arctica shall not be responsible if recording of conversations did not take place, as it is not certain that all conversations will be recorded.

All recording of conversations shall comply with provisions of the Act on Personal Data Protection and the Tele­communications Act. Only certain employees of Arctica, as well as authorities, such as the police and regulatory bodies, are authorised to examine and deliver recordings. In other respects Arctica must treat recorded conversations in a manner similar to other information subject to bank secrecy.

1. **Confidentiality and impartiality**

The Client and Arctica shall be obliged to treat all transactions and communications carried out on the basis of these Terms and Conditions, and agreements concluded on their basis, as confidential unless otherwise provided for by law.

Arctica, its employees and all parties performing tasks for Arctica are, in accordance with the Act on Financial Undertakings, bound by obligations of confidentiality concerning any knowledge they may acquire in carrying out their duties concerning the business or private affairs of Arctica's clients, unless obliged by law to disclose information. The obligation of confidentiality remains even if the person concerned leaves Arctica's employ.

Arctica must treat as confidential all information concerning the Client's transactions with Arctica and other aspects concerning its situation which should remain secret according to law or their nature. The Client is, however, aware that Arctica may be obliged to deliver to domestic or foreign authorities or supervisory authorities, e.g. police authorities, competition authorities, taxation authorities, the Financial Supervisory Authority, stock exchanges or other competent authorities, information on transactions by the Client if such request is made by the relevant authority and satisfactory authorisation exists for the authority concerned.

According to the rules of various states Arctica may be obliged to disclose who are the beneficial owners of shares in limited liability companies whether or not flagging limits have been reached, and may be liable to criminal prosecution and loss of voting rights for non-compliance. Should the Client wish to conclude transactions on such markets, such a wish implies authorisation to Arctica and custodians, but not an obligation, to inform the regulated securities market concerned or registry of companies of such ownership.

The Client is aware that Arctica itself may be the counterparty in contracts or in individual transactions and that Arctica is obliged by law to act with complete impartiality towards the Client in its activities and to ensure that the Client is not subject to discrimination in transactions in any significant respect. Arctica's proprietary trading on markets may not in any way conflict with the Client's interests or take precedence; in such cases the Client must be informed as provided for by laws and regulations in each instance. Arctica must also attempt to avoid conducting its trading in such a manner as could give cause to expect this to conflict with the interests of the Client. In this regard, the Client is referred to Arctica's policy on measures to prevent conflicts of interests.

1. **Miscellaneous provisions**

These Terms and Conditions and agreements concluded on their basis are subject to Icelandic law, cf. for example Act No. 108/2007, on Securities Transactions, Act No. 128/2011 on UCITS and Investment Funds, and Act No. 161/2002, on Financial Undertakings.

Should a dispute arise between parties in connection with the interpretation of these Terms and Conditions, or agreements concluded on their basis, the parties shall attempt to resolve the dispute by reaching an agreement between themselves. Should they fail to reach such an agreement, the parties may refer their dispute to the courts, in which case the action shall be brought before the Reykjavík District Court.

The Client may furthermore refer a dispute concerning the interpretation of these Terms and Conditions or agreements concluded on their basis to the Complaints Committee on Transactions with Financial Undertakings. Further informa­tion on the Complaints Committee is available on the website of the Financial Supervisory Authority, www.fme.is.

Arctica reserves the right to cancel these Terms and Conditions, add to them or amend them at any time. Major changes to these Terms and Conditions shall be notified to the Client in writing or electronically no later than 30 (thirty) days before such new/amended Terms and Conditions take effect. Notification of new/amended Terms and Conditions shall draw attention to the actual changes concerned and the Client’s right to terminate its business relationship and thereby these Terms and Conditions. Settlement shall then be made as provided for in these Terms and Conditions and, as the case may be, on the basis of individual contracts. If the Client continues the business relationship after the new/amended Terms and Conditions have taken effect, it is considered to have approved the changes which were made. Arctica's electronic notification, as referred to in this provision, can be made to the e-mail address indicated by the Client and by referring the Client to Arctica's website, which provides additional information on the new Terms and Conditions or amendments to these Terms and Conditions.

Changes to these Terms and Conditions will not affect legal instruments which are concluded or closed prior to the time the changes take effect.

Although these Terms and Conditions have no specific date of expiry, both parties may terminate them by sending the counterparty written notice to this effect. Despite notice of termination, both parties are bound by instructions, transactions and contracts concluded prior to the notice of termination, which are unexecuted or unsettled, and which are to be settled in accordance with the provisions of these Terms and Conditions. Provisions of Section 15 of these Terms and Conditions on liability and of Section 20 on confidentiality and impartiality shall apply indefinitely whether or not these Terms and Conditions have expired or not.

The Client may not transfer its rights or obligations under these Terms and Conditions or agreements concluded on its basis without Arctica's written consent. Arctica may transfer its rights and obligations under these Terms and Conditions and agreements based in full or in part upon them to another financial undertaking in the understanding of Act No. 161/2002. Under such conditions and for this purpose Arctica may deliver these Terms and Conditions and agreements concluded between the parties on their basis, and it shall be considered to have fulfilled, in accordance with these Terms and Conditions, the requirements of Art. 60 of Act No. 161/2002, which require the Client's consent for communication of confidential information on the Client.

*(SIGNATURES ON THE FOLLOWING PAGE)*

**Signature page**

|  |  |
| --- | --- |
| Name of Client:      | Id./Reg, No.:      |
| Legal domicile:      | Postal code and location:      |
| Tel.:      | Fax:      | E-mail address:      |

The above-listed and undersigned Client confirms having received the General Terms and Conditions of Arctica Finance hf. for Capital Market Trading and having acquainted him-/her-/itself with their contents and agrees to them in all respects. The undersigned also confirms having acquainted him-/her-/itself with and understood the following:

1. Arctica Finance hf.’s Rules on Client Classification
2. Arctica Finance hf.’s Summary of the Risk of Financial Instruments
3. Policy of Arctica Finance hf. on Measures to Prevent Conflicts of Interest
4. Policy of Arctica Finance hf. on Order Execution

By signing these Terms and Conditions the Client confirms that the following parties which are checked have full and unlimited power of attorney to conclude transactions with Arctica as provided for in these Terms and Conditions, to sign agreements and give instructions:

|  |  |  |
| --- | --- | --- |
|   |  | Current managing director/CEO |
|   |  | Current authorised signatories |
|   |  | Current CFO |
|   |  | Other parties listed below |
| Name:      | Id. No.:      |
| Legal domicile:      | Postal code and location:      |
| Tel.:      | Fax:      | E-mail address:      |
|  |  |
| Name:      | Id. No.:      |
| Legal domicile:      | Postal code and location:      |
| Tel.:      | Fax:      | E-mail address:      |

Everything done by each of the parties listed above in accordance with this power of attorney shall be equivalent to the Client having itself done so in a binding manner. The power of attorney of the parties listed above shall be valid until it is revoked in writing by the Client in valid manner and the revocation has verifiably been received by Arctica. The Client shall therefore be bound by any agreements which the above parties may conclude until valid revocation has been received by Arctica. Should the Client wish to entrust other parties with power of attorney to conclude contracts with Arctica, such power of attorney shall only by valid if it has been satisfactorily endorsed by the Client, as appropriate by the Client's Board of Directors, and has verifiably been received by Arctica.

(If the Client is a legal entity, those parties authorised to sign for the Client (the Board of Directors as appropriate), or who are authorised to oblige the legal entity pursuant to these Terms and Conditions, shall endorse these Terms and Conditions on its behalf. The signatures of the Board of Directors are not required for parties classified as eligible counterparties, including financial undertakings, insurance companies, pension funds and local authorities.)

|  |  |  |
| --- | --- | --- |
|       |  | **Confirmed and approved****on behalf of the above Client** |
| *(Location and date)* |  | *(Signature)* |

Witnesses (names and Id. Nos.) to the correct date and signatures: