

# 1. Discretionary Management Agreement

Factor-Based Asset Management  
250 Yonge Street, Suite #2201  
Toronto, ON, M5B 2L7

The Client (the "Client") retains the services of Factor-Based Asset Management (the "Manager") as investment advisor and portfolio manager in relation to the management of the assets belonging to the Client entrusted to the Manager, in accordance with the following terms and conditions:

1. The FBAM mandate takes effect upon receipt of the funds and / or securities inside the Client's Separately Managed Account.
2. The assets described in the previous paragraph are held in the custody on the SMA platform of "Interactive Brokers Canada inc. (The "Custodian") located at 1800 McGill College Avenue, Suite 2106, Montreal, QC, H3A 3J6.
3. Subject to the limitations specified by the Client in their Account Opening Form and set forth in the accompanying Guiding Principles and Investment Policy Declaration, FBAM is authorized to take the discretionary management of the portfolio, including the purchase, sale, exchange or exercise of any rights in respect of any class of assets, securities or other assets of the portfolio.
4. FBAM undertakes to keep all information about the client's personal and financial situation in the strictest confidence in an encrypted database.
5. FBAM agrees to publish quarterly accounts detailing the client's assets under management, the quarterly and year to date performance, and the details of the management fees charged for the period.
6. The client, through the custodian, is responsible for maintaining all accounting and tax records related to assets under management, including purchase and sale transactions, maturing payments and dividends / interest payments. The Manager shall maintain records for audit purposes and prepare, for investment review purposes, asset management reports as agreed with the client from time to time.
7. The manager undertakes to act as a good father by applying his knowledge, as well as his professional skills and good judgment in the management of the assets entrusted to him.
8. The Manager shall not be liable for a decline in the market value of the assets under management resulting from a judgment error in the investments made by the Manager.
9. Unless otherwise agreed, the management fee is charged and deducted from the portfolio. The client hereby authorizes and requests the Custodian to pay

management fees to FBAM in accordance with the normal procedure.

10. The Manager will charge a fee for its asset management services. The annual management fee will be 1.0% of total assets under management. It is accrued daily and billed quarterly. If applicable, the performance fee will be 10% of returns in excess of 2% above benchmark. A high-water mark is applied to ensure fairness of the calculation. The performance fee will be charged annually at the end of each calendar year.

11. This agreement may be terminated at any time by the Client or the Manager upon written notice of 3 business days. In this case, the management fee will be calculated on a prorated basis for services rendered since the last billing.

12. This agreement may be modified only in writing, by means of an endorsement signed by the Client and FBAM.

13. This agreement shall be interpreted and governed by the Civil Code and the laws of the Province of Quebec.

By accepting the terms and conditions, the Client acknowledges having read and agrees with FBAM's Discretionary Management Agreement.

## **2. Guiding Principles and Investment Policy Declaration**

### **A. Investment Objective**

The main objective of the customer's asset management (the "Client") through Factor-Based Asset Management (the "Manager") is to achieve the best possible risk adjusted total return. It is expected that the majority of the return will be realized in the form of capital gains and, to a lesser extent, with interests and dividends.

It is understood that the portfolio's annual rates of return may vary significantly from year to year due to market and economic cycles. These cyclical fluctuations will not affect the Manager's professional efforts to achieve the portfolio's long-term return objective and minimize the risk of poor investments. The strategies consist of holding a concentrated portfolio with a long-term investment horizon of 3 to 5 years.

### **B. Asset Policy Allocation**

The Manager has full discretion in the selection of the securities and the allocation of the portfolio to achieve the investment objective of the previously stated policy, including the possibility that, from time to time, high levels of liquidity may be held in the portfolio. The Manager does not maintain liquidity for speculative market timing purposes, but rather because the Manager believes that it is prudent, under certain circumstances, to hold this cash until the next investment opportunity. The client should understand that occasionally, the portfolio may contain mostly cash and not shares.

The equity portion of the portfolio will be invested primarily in common shares listed on the stock exchanges in Canada and the United States. The weight between the two countries can vary considerably depending on the strategies chosen. The Manager selects the securities according to the investment policy of each strategy. Portfolio weights in Canadian, US or International equities can range from 0% to 100%.

### **C. Authorized Investments**

The Manager may invest in the following asset classes:

Cash and equivalents: Cash, Treasury Bills, Short-Term Notes, Certificates, Bankers Acceptances, Guaranteed Investment, Currencies.

Securities: Common Shares, Preferred Shares, Warrants, Convertible Securities, Income Trusts, and Exchange Traded Funds.

### **D. Other Restrictions**

1. The diversification of each asset class is at the discretion of the Manager. However, the investments made by the latter, in each of the asset classes mentioned above, must be sufficiently diversified to have been made by a prudent and diligent person.
2. The Manager may not invest in private equity, real estate, commodities, distressed securities and may not engage in short term trading activities.
3. The Manager will not use leverage (borrowing) in the Client's portfolio.
4. The Manager will exercise any right to vote proxies of the securities held, and will vote exclusively in the interests of the client.
5. It is expected that securities held in the Portfolio will be actively traded and therefore the valuations will be based on quoted market values. If no market value is available, the Manager will use acceptable business practice to establish an appropriate value.
6. With respect to fair dealing of transactions or other conflict of interest that may arise, the Manager will always strive to act in the best interests of the client.

### **E. Risk Tolerance**

1. It is expected that all investments should provide a certain margin of safety.
2. It is understood that the annual rates of return of the portfolio may vary significantly from year to year due to market and business cycles, including the possibility that the portfolio's return may be negative for a short and / or long period of time.
3. Each client holds the same portfolio regardless of their individual risk profile. The Manager assesses the suitability of the portfolio based on the client's overall risk profile, in particular the % of total net assets of the client invested in the portfolio.

By accepting the terms and conditions, the Client acknowledges having read and agrees with FBAM's Guiding Principles and Investment Policy Declaration.

### **3. Disclosure Principles**

Pursuant to Section 31-103, Factor-Based Asset Management (hereinafter referred to as "FBAM") must disclose to its client (hereinafter referred to as the "Client") the following details regarding the relationship between the Client and FBAM in compliance with the assets of the client invested in FBAM (hereinafter referred to as the "Portfolio").

#### **Customer Account Type**

FBAM will act as the portfolio manager in the client's account with Interactive Brokers Canada Inc. In addition, each client will have their own separate account.

#### **Products offered by FBAM**

FBAM offers portfolio management services for the client. FBAM is currently offering six strategies, and all clients have approximately the same asset allocation.

#### **Different Risks to Consider**

An investment with FBAM is subject to various risks, which may result in the loss of all or part of the client's investment. The following risks should be carefully assessed by potential clients:

##### **Speculative Investments**

FBAM investments are considered speculative and are not intended as a guaranteed investment program. They should be considered by individuals who are financially able to hold their investments for a long period of time and who can bear the risk of loss of their investments. FBAM considers that an investor with a long-term investment horizon and/or investor with substantial net worth is best suited to invest in FBAM strategies.

##### **Investment Risk**

The value of the client's portfolio varies proportionally with changes in the value of the securities held in the portfolio.

##### **Equity Securities**

To the extent that the Portfolio holds equity securities, it will be influenced by stock market conditions in the jurisdictions in which portfolio securities are traded and by changes in the circumstances of the issuer. In addition, to the extent that the Portfolio holds foreign investments, it will be influenced by global economic factors and the value of the Canadian dollar relative to the foreign currencies that will be used to value the value of the foreign securities held in the Portfolio.

##### **Fixed-Income Securities**

The Portfolio, to the extent that it holds fixed income securities, will be influenced by financial market conditions and the general level of interest rates in Canada and the United States. If fixed income investments are not held to maturity, the portfolio may experience a loss at the time of sale.

### **Concentration Risk**

FBAM generally takes more concentrated investment positions than a conventional fund/portfolio which generates less diversification and therefore more risk.

### **Past Performance**

The customer should not claim that past performance is indicative of the future performance of the portfolio. In addition, the past performance of some FBAM's strategies represents the back tested performance achieved by these strategies. In those circumstances, it will be clearly indicated in the disclaimer of the strategy.

### **Stocks & Foreign Securities**

The Portfolio may at any time include securities of issuers established in territories outside Canada and the US. Although most of these issuers will be subject to consistent accounting, external auditing and financial reporting standards comparable to those applicable to Canadian and US issuers, some issuers may not be subject to these standards and as a result, there may be less publicly available information on these issuers than a Canadian or US issuer. Volume and liquidity in certain foreign markets may be lower than in Canada and the United States, and at times, price volatility may be greater than in Canada or the United States. As a result, the price of these securities may be influenced by the market conditions of the jurisdiction in which the issuer is located where these securities are traded. Other risks include the application of foreign tax law, changes in government administration and / or economic or monetary policy, and the effect of local market conditions on the availability of information to the public. Investments in foreign markets carry a risk of exposure to political upheaval, as well as acts of terrorism and war, which could adversely affect the value of these securities.

### **Exchange Rate Risk**

It is highly likely that many of the portfolio's investments will consist of securities denominated in foreign currencies (mainly US dollars). The portfolio, measured in Canadian dollars, may as a result be affected by fluctuations in the value of these foreign currencies relative to the Canadian currency.

### **Credit Risk**

To the extent that the Manager makes OTC d transactions, it will be subject to credit risk that its counterparty may not be able to meet its financial obligations, and the Portfolio could lose the expected gain on this contract.

### **Market Risk**

Commodity contract prices and all derivative instruments, including futures, can be highly volatile. Changes in futures and other derivative contract prices in which the Portfolio's assets may be invested for foreign currency hedging purposes are influenced by, among other things, interest rates, changes in supplier relationships, demand, trade, budget control programs, monetary as well as government policies and political events, national and international economic. In addition, governments tend to intervene directly or by way of settlement in certain markets, particularly those of currencies, futures and financial instruments. Such intervention is often intended to act directly on prices and may cause these markets to move quickly in the same direction due to, among other things, interest rate fluctuations.

### **Borrowing Risk**

FBAM does not use leverage for investing. Borrowing money to buy securities or to fund an investment at FBAM is riskier than buying a cash security. If the borrower borrows money to purchase securities, it is his responsibility to repay the loan and the interest on the loan, including the possibility of a significant decline in the value of the securities purchased or the value of the loan.

### **Conflicts of Interest**

FBAM declares that it does not have a conflict of interest in carrying out its mandate with respect to the client's interests.

### **Account Fees Disclosure**

FBAM charges a fee for its services. Depending on the level of assets invested by the Client with FBAM, FBAM charges a monthly fee. A performance fee may be charged and will be disclosed to the Client when he opens his account. Transaction fees (purchases & sales of securities) and other account fees will be charged by Interactive Brokers Inc. directly in the Client's account and will be disclosed in the Client's monthly statement. FBAM will do its best to get the best execution and the best price for trades in the customer's account.

### **Transaction Costs Disclosure**

Under this agreement, fees charged by Interactive Brokers Inc. to buy and sell securities may vary but remain highly competitive in the market. They are in local currency.

### **Management Fees**

Depending on the level of the Client's assets, FBAM may charge different fees that will be accrued daily and billed quarterly.

### **Performance Fees**

Depending on the agreement with the Client, a performance fee may be charged.

## **Client Reporting Frequency**

FBAM updates the performance of its strategies monthly. These updates are available to its Clients within a few business days after month end. The Client always has access to its Interactive Brokers accounts online. Detailed Interactive Brokers monthly reports are available to the Client on demand. FBAM will assist the Client and answer all questions regarding the performance and fees related to his accounts.

## **The Strategy and its Benchmark**

FBAM updates the performance of its strategies monthly. These updates are available to its Clients within a few business days after month end. The performance of the Strategy will be different from the performance of the Client's account because of fees and cash drags. The benchmark will vary from one Strategy to another but will be clearly disclosed.

## **Suitability**

Based on the information provided by the Client in the account application form, FBAM will open the Client's account online if the portfolio is appropriate and suites the Client investment objectives. The client must understand the risks associated with an investment at FBAM. The volatility associated with a portfolio with fewer securities may be higher on a quarterly and annual basis.

## **Information Collection**

The client must complete the account opening form before making an investment with FBAM. The information is used to determine the appropriateness of the investment for the client, including the client's objectives, risk tolerance and financial condition.

## **Complaint Process**

If you are concerned about the processing of your account at FBAM, please refer to FBAM's Complaint Procedure available on our Website.

## **Electronic Transmission Consent**

The Client agrees that these documents are sent to him by email and certifies having the technical resources to receive the documents sent by FBAM to the email address indicated in the account opening form. The Client acknowledges that electronic transmission is neither secure nor confidential, and that confidential, proprietary and sensitive information transmitted electronically may be read or copied by individuals.

By accepting the terms and conditions, the Client acknowledges having read and agrees with FBAM's Disclosure Principles. This agreement shall be interpreted and governed by the Civil Code and the laws of the Province of Quebec.