

# SCHEDULE A: RELATIONSHIP DISCLOSURE INFORMATION

## 1. INTRODUCTION

Fulcra Asset Management Inc. (“Fulcra” or the “Firm”) is providing this document to describe what you need to know about Fulcra and the products and services that we offer, as required by securities regulations.

Fulcra is registered as a portfolio manager, investment fund manager and exempt market dealer in British Columbia and Ontario. Our offices are located at 1201 – 333 Seymour St., Vancouver B.C. V6B 5A6. Our primary securities regulator is the British Columbia Securities Commission.

This document will be provided to you at the time you open your account(s) with us or before we begin providing investment advice to you. If there is a significant change to the information contained in this document, we will provide you with the updated information in a timely manner.

## 2. INVESTMENT SERVICES THAT WE OFFER

Fulcra helps clients meet their investment objectives primarily by investing in units of the Fulcra Credit Opportunities Fund (the “Fund”). The Fund is managed and advised by the Firm in its respective capacities of investment fund manager and portfolio manager. The Fund is offered to clients of the Firm in our capacity of exempt market dealer and, as a result, clients must qualify for one of the prospectus exemptions defined within National Instrument 45-106 - *Prospectus and Registration Exemptions* (“NI 45-106”).

The Fund is the only investment currently available to prospectus-exempt clients of the Firm. The Firm also offers separately managed accounts in limited circumstances.

We will always explain any investments offered by the Firm and describe the characteristics and risks associated with these investments. Fulcra may offer additional investment choices in the future and will inform you about any new offerings.

## 3. YOUR ACCOUNT AND SERVICE PROVIDERS

Our clients hold units of the Fund. We are the investment fund manager, portfolio manager, and trustee of the Fund. The Fund’s accountant and administrator is SGGG Fund Services Inc. The Fund’s investments are held in custody at CIBC Mellon and the auditor of the Fund is KPMG LLP. Olympia Trust Company serves as the trustee for registered client accounts.

The Firm is required by securities regulations to maintain a financial institution bond to cover any losses to due to fraud or misappropriation by the Firm or its representatives. The Fund’s third-party service providers may change over time. We will inform our clients of any changes made in the future.

## 4. COMPENSATION, FEES AND CHARGES

We do not charge fees directly to accountholders; rather, we are compensated by management and performance fees charged to the Fund.

Class B units of the Fund have an annual management fee of 0.75%, plus a performance fee of 15% on annual fund returns exceeding 5% (or “hurdle rate”). Performance fees are only payable when the Fund’s net asset value is above the value when performance fees were last paid (or “high water mark”). The Fund is also responsible for paying its own operating expenses, including but not limited to legal and audit fees, fund administration fees, custodial charges, costs of providing information to unitholders, brokerage fees, interest, and taxes.

Management and performance fees, along with operating expenses reduce the Fund’s net asset value and negatively impacts your investment returns. Fees and operating expenses are typically recurring in nature and, as a result, have a compounding effect on your returns. All unit prices and fund performance are calculated after all fees and operating expenses.

Registered accounts are held in trust by Olympia Trust Company. A schedule of their fees is included in Schedule A.1. We pay these fees on your behalf by redeeming Fund units held in your registered account.

## 5. KNOW YOUR CLIENT AND SUITABILITY

### Know Your Client

Know-Your-Client (or “KYC”) obligations are foundations of securities law. We will ask you a series of questions so that we can collect information about you to confirm your identity, determine prospectus exemptions that you may qualify for, and to assess whether a purchase or sale of an investment is suitable for you prior to executing any transactions.

Upon opening an account at the Firm, all clients shall provide information to establish your identity, including:

- contact information
- date of birth
- social insurance number
- approved and valid identification
- residency and citizenship
- civil status or family situation and number of dependents
- employment status and occupation

- insider of a public company (if applicable)
- politically exposed person, head of an international organization and other designations as required by law (if applicable)
- contact information for a trusted contact person (if applicable)

For clients that are corporations, trusts or other entities, we will need the entity's constituting documents along with identifying the entity's directors, officers, trustees, and any other individuals authorized to make decisions on behalf of the entity. We will also need to identify any significant shareholders or beneficiaries of the entity (typically 25% or greater share).

In addition to information regarding your identity, Fulcra also needs to understand several different components of your financial knowledge and circumstances, for us to determine whether any investment decisions made are suitable for you:

- *Financial circumstances* – including the source of the account investment funds, your annual income, net worth, and details of your financial assets and liabilities. A breakdown of financial assets held outside of the Firm is important for us to know to make sure that you are not overly concentrated in certain investments, asset classes or industry sectors.
- *Investment knowledge and experience* – whether you are a novice at investing, have some investment knowledge, or understand more complex financial products and their risks, including any experience investing in different asset classes.
- *Investor risk profile* – which includes your willingness to accept investment risk (or “risk tolerance”) and your ability to accept investment risk (or “risk capacity”).
- *Investment time horizon* – the length of time you expect to be invested in a particular investment, which is typically categorized as short (less than one year), medium (one to three years) or long (greater than three years).
- *Investment needs* – your need for liquidity from your investment in the event of unforeseen circumstances and not considered in your investment time horizon. This will be considered along with your other net financial assets before concluding that an investment is suitable for you.
- *Investment objectives* – what you tell us about your goals and objectives for your account held at the Firm. For example, investments held at Fulcra will be used to purchase your first home or meet your retirement needs in the future. This information helps us determine whether investments that provide capital preservation, income generation and/or capital growth are more suitable for you.

**IT IS IMPORTANT THAT YOUR KYC INFORMATION IS CURRENT AND UP TO DATE. PLEASE NOTIFY US IMMEDIATELY SHOULD THERE BE ANY MATERIAL CHANGES TO INFORMATION PREVIOUSLY PROVIDED BY YOU.**

We may ask you additional questions and/or request additional documentation to support information provided above. A copy of your KYC information will be provided to you once your account opening documents are completed.

All information provided to us will be used in accordance with the Firm's privacy policy. The policy describes the collection, use and disclosure of the Firm's client personal information and can be found on the Firm's website.

### **Suitability**

The Firm is required to determine that any investment action taken or recommended for each client is suitable and puts the client's interest first. The KYC information provided by you is instrumental in determining suitable investments for your account.

Any suitability determinations conducted by the Firm and its representatives will be limited to the investment options offered by the Firm. Fulcra will not consider other investments in the investment universe when determining suitable investments for our clients.

### **6. CLIENT COMMUNICATIONS**

The Firm will provide trade confirmation notices for purchases and sales of the Fund. The confirmation provides information about your transaction including the date, quantity, and price.

You will receive a monthly account statement from us. These statements provide an accounting of your current holdings, and confirm all account activity (i.e. purchases and sales of securities, deposits and withdrawals, income received, transfers, etc.) that occurred in your account(s) over the previous period.

At the end of each year, you will also receive an annual statement summarizing your account activity and investment performance.

### **7. FAIR ALLOCATION METHODOLOGY**

Besides managing the Fund, we are the portfolio advisor of the Lysander-Fulcra Corporate Securities Fund, a mutual fund that has substantially similar investment objectives and strategies. In addition to the Lysander-Fulcra Corporate Securities Fund, we also manage segregated client accounts that may have similar investment objectives and strategies as the Fund.

In allocating investment opportunities between our investment funds and segregated client accounts, we generally allocate securities transactions on a pro rata basis in accordance with the amount being purchased or sold. The Firm's allocation policy includes provisions for materiality and temporary differences in respective cash flows and cash balances. Any exceptions to the Firm's allocation policy must be approved by the Firm's Chief Compliance Officer.

## **8. CONFLICTS OF INTEREST**

Under securities legislation, we are required to disclose all actual and potential conflicts of interest between Fulcra (including the Firm's personnel) and its clients. Conflicts of interest are deemed to be material if the conflict may be reasonably expected to affect the decisions of the client and/or Fulcra's recommendations or decisions or the recommendations or decisions of Fulcra's designated representatives in the circumstances. Actual, potential, and perceived conflicts of interest may exist, and Fulcra will manage these conflicts by a) controlling the conflict; b) disclosing the conflict to you; or c) avoiding the conflict.

We have identified the following conflicts of interest facing the Firm. We have included a description of each conflict and how we manage them so that you can independently assess these conflicts when making your investment decision. Other conflicts of interest may arise from time to time – we will update you prior to you making any future decisions.

### **Duty to Clients**

In acting as an investment fund manager, portfolio manager and exempt market dealer, Fulcra will exercise our powers and duties honestly, in good faith and in the best interests of our clients. We will devote such time and attention and exercise such degree of care, diligence and skill as a prudent and experienced investment counsel would exercise in comparable circumstances. Inherent in our duty of care to you, Fulcra and its personnel are prohibited from the following trading practices:

- trading in securities for personal accounts shortly before trading in the same securities for clients and/or investment funds managed by Fulcra;
- directing trading in securities in which Fulcra or any staff of Fulcra has an undisclosed interest; or
- affecting a trade between an account managed by Fulcra and a staff of Fulcra.

Fulcra allows employees to maintain personal securities accounts outside of the Firm. Any personal investments made by an employee in any accounts in which the employee has a beneficial interest, including any accounts for any immediate family or household members, are approved by the Firm's Chief Compliance Officer to ensure that it is consistent with our duty to clients.

### **Other Client Accounts Managed by Us**

Besides managing the Fund, we are the portfolio advisor of the Lysander-Fulcra Corporate Securities Fund, a mutual fund that has substantially similar investment objectives and strategies. In addition to the Lysander-Fulcra Corporate Securities Fund, we also manage segregated client accounts that may have similar investment objectives and strategies as the Fund.

In allocating investment opportunities between our investment funds and segregated client accounts, we generally allocate securities transactions on a pro rata basis in accordance with the amount being purchased or sold. The Firm's allocation policy includes provisions for materiality and temporary differences in respective cash flows and cash balances. Any exceptions to the Firm's allocation policy must be approved by the Firm's Chief Compliance Officer.

### **Outside Business Activities**

Fulcra's personnel may be involved in an activity or offer services that are unrelated to the business of the Firm. These are referred to as "outside business activities" and include any activity for which your designated representatives receive or expects to receive payment, compensation, consideration, or any other benefit, either directly or indirectly.

Outside business activities also include any position of influence, any officer, director or other equivalent position held by a designated representative. Examples of outside business activities include director or officer positions with other entities (including other registered investment firms), volunteer activities with charitable organizations, industry associations and other entities.

Fulcra controls material conflicts of interest associated with outside business activities by:

- only allowing personnel to engage in an outside business activity if the activity has been disclosed to regulators and has been pre-approved by Fulcra; and
- establishing internal policies and procedures which restrict any outside business activities that would interfere with an individual's ability to act in your best interest.

## **9. RISKS CLIENTS SHOULD CONSIDER**

Investing in the markets is inherently risky. We take significant time and effort to ascertain your risk tolerance and risk parameters, incorporating conversations we have had, and looking at important factors such as your age, income, and goals. The following are risks associated with investing in the Fund that you should consider. The list is not exhaustive and there may be other risks inherent to investing.

### **Fund Risk**

There is no assurance that the Fund will achieve its investment objectives. There is no market for the units of the Fund and their resale, transfer and redemption are subject to restrictions imposed by the Fund and applicable securities legislation. Consequently, unitholders of the Fund may not be able to liquidate their investment in a timely manner and units may not be readily accepted as collateral for a loan. Fulcra may also suspend the redemption of units of the Fund according to the provisions of its trust agreement.

## **Valuation Risk**

While the Fund is independently audited by its auditors on an annual basis, valuation of the Fund's securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the net asset value of the Fund (and unitholder transactions transacted at that value) could be adversely affected. The Fund does not intend to adjust their net asset values retroactively.

## **Fund Redemption Risk**

Substantial redemptions of units of the Fund could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the units redeemed and of the units that remain outstanding.

## **Investment Risk**

The performance of the Fund's investment portfolio may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments.

The Fund invests in debt securities. When your portfolio invests in debt securities, such as bonds, it is essentially making a loan to the company or the government issuing the security. The financial condition of an issuer of a debt security may cause it to default or become unable to pay interest or principal due on the security. Furthermore, debt securities are often rated by organizations such as Standard & Poor's, and if a security's credit rating is downgraded because the credit rating agency feels the issuer may not be able to pay investors back, the value of that investment may fall.

## **Derivatives Risk**

The Fund's investment portfolio includes foreign investments and, as a result, may be affected by fluctuations in the rates of exchange between the Canadian dollar and the foreign currencies. To mitigate these fluctuations, the Fund uses derivative instruments for hedging purposes to the extent considered appropriate. Derivatives are types of investments where the value of which is based on (or derived from) the value of another investment, such as a security, a currency, a commodity, or a market index. There are many types of derivatives, including options, futures, and forward contracts.

## **10. BORROWING MONEY TO PURCHASE INVESTMENTS**

The Firm does not lend money, extend credit, or provide margin to clients. Borrowing money to finance the purchase of investments, involves greater risk than a purchase using cash resources only. When you borrow money to purchase investments, you are responsible for making interest payments as required by the terms of your loan agreement, as well as repaying the loan. This remains true even if the value of the investments purchased declines.

It is important to realize that a purchase of investments using borrowed money involves greater risk than a purchase made using cash resources only. To what extent such a purchase involves undue risk is a determination to be made on an individual case basis by each purchaser and will vary depending on the circumstances of the purchaser and the investment purchased.

## **11. INVESTMENT PERFORMANCE BENCHMARKS**

Investment benchmarks generally provide a broad measure of return generated by specific asset classes over a given period. An investment benchmark can be used as a standard against which performance of a security or investment portfolio can be measured. There are many different types of benchmarks. When selecting a benchmark, care must be taken to choose a benchmark that reflects the investments.

Fulcra does not have stated benchmarks, nor do we manage benchmark-relative strategies. We do, however, monitor our performance against public benchmarks which have similar asset classes and risk profiles.

## **12. CONSENT TO ELECTRONIC DELIVERY OF DOCUMENTS**

To efficiently provide our clients with all appropriate documents in a timely manner and comply with anti-spam regulations such as Canada's Anti-Spam Law ("CASL"), Fulcra requires consent for all electronic delivery of documents listed below:

- Trade confirmations in respect of the purchase and redemptions of units of the Fund;
- Monthly and annual account statements;
- Audited annual financial statements for the Fund (if requested); and
- Such other notices, reports, or commentary that we may choose to provide.

All documents delivered electronically will be delivered by email to the address provided upon account opening. Clients are not required to consent to electronic delivery. The client may, at no cost, receive from the Firm a paper copy of any documents delivered electronically by contacting us:

Fulcra Asset Management Inc.

1201 – 333 Seymour St.

Vancouver BC V6B 5A6

Email: [info@fulcraam.com](mailto:info@fulcraam.com)

Telephone: 604-683-8365

A paper copy of any documents delivered electronically will be provided when electronic delivery fails. A client may choose to revoke or change their consent, including any change in the electronic mail address to which documents are delivered, by contacting us.

### **13. COMPLAINTS OR QUESTIONS**

#### **What to do if you have a complaint or question**

If you have any complaints or questions about dealing with Fulcra, please contact us at the contact information provided below. Fulcra has a documented process to deal with client complaints and we seek to resolve any complaints through that process.

Fulcra Asset Management Inc.  
Attn: Chief Compliance Officer  
1201 – 333 Seymour St.  
Vancouver BC V6B 5A6  
Email: info@fulcraam.com  
Telephone: 604-683-8365

#### **To report a complaint with Fulcra**

- *Reporting a complaint* – Please tell us what went wrong, when it happened and what you expect from us.
- *Acknowledgement* – We will acknowledge your complaint in writing, as soon as possible, typically within five business days of receiving your complaint.
- *Investigation* – Fulcra will investigate your report and during this time, we may ask you to provide clarification or more information to help us resolve your complaint. If we are unable to provide you with our decision within 90 days, we will inform you of the delay, explain why our decision is delayed and provide you with a revised deadline for our decision.
- *Decision* – We will make every effort to provide our decision in writing, within 90 days of receiving a complaint. Our response will include: a summary of the complaint, the results of our investigation and our decision to make an offer to resolve the complaint or deny it, and an explanation of our decision.

#### **To report a complaint to OBSI**

Fulcra is a participant in the Ombudsman for Banking Services and Investments (OBSI), an independent service for resolving investment disputes. OBSI's service is available to clients of the Firm. If you are not satisfied with our decision or if we do not provide you with our decision within 90 days, you may be eligible to refer your complaint to OBSI's free and independent dispute resolution service.

You have the right to use OBSI's dispute resolution service if:

- your complaint relates to an investment or advising activity of our firm or one of our representatives
- you brought your complaint to us within six years from the time that you first knew, or ought to have known, about the event that caused the complaint, and
- you file your complaint with OBSI according to its time limits:
- if we do not provide you with our decision within 90 days, you can take your complaint to OBSI any time after the 90-day period has ended; or
- if you are not satisfied with our decision, you have up to 180 days after we provide you with our decision to take your complaint to OBSI.

During its investigation, OBSI may interview you and representatives of the Firm. We are required to cooperate in OBSI's investigations. To file a complaint at OBSI, you can contact them by phone at 1-888-451-4519 or by email at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca).

#### **Information OBSI needs to help you**

OBSI can help you best if you promptly provide all relevant information, including:

- your name and contact information
- our firm's name and contact information
- the names and contact information of any of our representatives who have been involved in your complaint
- details of your complaint
- all relevant documents, including any correspondence and notes of discussions with Fulcra.

**OBSI will provide its recommendations**

Once OBSI has completed its investigation, it will provide its recommendations to you and us. OBSI's recommendations are not binding. OBSI can recommend compensation of up to \$350,000. If your claim is higher, you will have to agree to that limit on any compensation you seek through OBSI. If you want to recover more than \$350,000, you may want to consider another option, such as legal action, to resolve your complaint. For more information about OBSI, visit [www.obsi.ca](http://www.obsi.ca).

**Other dispute resolution options**

This does not restrict your ability to take a complaint to a dispute resolution service of your choosing at your own expense, or to bring an action in court. You always have the right to go to a lawyer or seek other ways of resolving your dispute at any time. A lawyer can advise you of your options. There are time limits for taking legal action. Delays could limit your options and legal rights later.

### Annual Administration Fees

\$150	First Account
\$75	Second Account in Annuitant's Name *

\* Discount does not apply to Tax-Free Savings Accounts (TFSA), Individual, Corporate, or Joint accounts.

The Annual Administration Fee is charged immediately upon the opening of an account and is prorated to half price for accounts opened July 1<sup>st</sup> or later each year. The full Annual Administration Fee will then be charged on January 1<sup>st</sup> of each year thereafter.

### Exempt Market Security (EMS) Fees

\$75	Purchase or Exchange of Security ( <i>takeover or transfer</i> )
\$100	Contribution In-Kind
\$150	Non-Brokered Private Security Purchase **

\*\* Does not apply if submitted through Olympia Online / Approved Software / Registered Dealer.

### Mortgage Fees

\$150	Purchase or Contribution In-Kind
\$200	Transfer-In In-Kind
\$15	Monthly Mortgage Fee ( <i>per mortgage/per account</i> )
\$75	Additional Advance
\$50	Discharge ( <i>administered mortgage</i> )
\$75	Discharge ( <i>standard mortgage</i> )
\$50	Execution of Documents
\$25	Payment Schedule Change
\$25	Payment of Mortgage Invoice
\$25	Information Statement
\$50	Renewal

### Publicly Traded Security Fees

\$50	Administration Fee ( <i>per trade, plus applicable brokerage commissions and charges</i> )
\$100	Contribution In-Kind

### Withdrawal / Transfer-Out Fees

\$75	Partial Withdrawal or Transfer-Out In-Cash
\$100	Partial Withdrawal or Transfer-Out In-Kind
\$250	Full Withdrawal or Transfer-Out

### Income Fund Fees

\$50	Unscheduled Income Fund Payment - In-Cash
\$75	Income Fund Payment - In-Kind

### Other Fees

\$25	Document Processing Fee ( <i>Account Opening and EMS Purchase submitted via email, fax, or mail</i> ) ***
\$20	Cheque Processing Fee ( <i>per deposit/per investment/per account</i> ) ****
\$10	Mailing Fee
\$50	Account Research ( <i>per request</i> )
\$25	Issuance of Cheque
\$50	Returned Item / NSF Transaction
\$125	Tax Deduction Waiver
\$150	Estate Settlement ( <i>per account</i> )

\*\*\* Does not apply if submitted through Olympia Online / Approved Software.

\*\*\*\* Does not apply to contributions and fee payments made by cheque.

**Olympia Trust Company reserves the right to recover all out-of-pocket expenses. Any miscellaneous fees for services provided by third parties will be charged at cost. Olympia Trust Company may assess fees for extraordinary services not outlined in this schedule.**

Pursuant to your account agreement, you agree to pay Olympia Trust Company annual fees and transaction fees in exchange for providing services in connection with your self-directed account. All fees are charged when the transaction is processed except the annual administration fee.

*A late payment charge of 2% per month will apply to any overdraft amounts not paid by March 15<sup>th</sup> of each year.*

*All fees are subject to applicable taxes.*