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NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS AND MANAGEMENT  
INFORMATION CIRCULAR

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April 4, 2018

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# Exchange Income Corporation

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION

Exchange Income Corporation (the "Corporation") will hold its annual and special meeting (the "Meeting") of the holders ("Shareholders") of its common shares ("Shares") at the Calm Air hangar located at 930 Ferry Road, Winnipeg, Manitoba, R3H 0Y8 on May 9, 2018 at 10:30 a.m. (Winnipeg Time) for the following purposes:

1. to receive and consider the Corporation's consolidated financial statements for the period ended December 31, 2017, together with the auditor's report on those statements;
2. to appoint an auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation (the "Directors") to fix the auditor's remuneration;
3. to elect the Directors for the ensuing year as identified in the accompanying management information circular (the "Circular");
4. to approve the fourth amended and restated deferred share plan of the Corporation; and
5. to transact any other business properly brought before the Meeting and at any and all adjournments thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the accompanying Circular.

The record date for the determination of Shareholders entitled to receive notice of and to attend and vote at the Meeting is April 2, 2018. Only Shareholders whose names have been entered in the register of Shareholders at the close of business on that date and holders of Shares issued by the Corporation after such date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting; provided that, to the extent a Shareholder transfers the ownership of any Shares after such date and the transferee of those Shares establishes that such transferee owns the Shares and demands, not later than ten days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Shares at the Meeting.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the enclosed proxy must be received by the Chair of the Corporation, at Proxy Department, AST Trust Company (Canada), PO Box 721, Agincourt, Ontario, M1S 0A1 or by facsimile to 416-368-2502 (Toll Free: 1-866-781-3111 Canada & US Only) not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof. A proxy is valid only at the meeting in respect of which it is given or any adjournment(s) of that meeting. Unregistered Shareholders who received the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.**

Winnipeg, Manitoba  
April 4, 2018

By Order of the Directors

*"Dianne Spencer"*

Dianne Spencer  
Corporate Secretary

## GLOSSARY

Capitalized terms used in this Circular have the meanings ascribed to them below.

“**Amended Deferred Share Plan**” means the fourth amended and restated deferred share plan of the Corporation approved by the Board subject to the approval of the Shareholders at the Meeting;

“**Audit Committee**” means the audit committee of the Board;

“**Aerospace & Aviation Sector Advisory Committee**” means the aerospace & aviation sector advisory committee of the Board;

“**Board**” means the board of directors of the Corporation;

“**Circular**” means this management information circular dated April 4, 2018 in respect of the Meeting;

“**Compensation Committee**” means the compensation committee of the Board;

“**Corporation**” means Exchange Income Corporation;

“**Deferred Share Plan**” means the 2013 Existing Deferred Share Plan and the Amended Deferred Share Plan, as applicable, if the Amended Deferred Share Plan is approved by Shareholders at the Meeting;

“**Deferred Shares**” means deferred shares issued by the Corporation pursuant to the Deferred Share Plan;

“**Director**” means a director of the Corporation and “**Directors**” means all of the directors of the Corporation;

“**Disclosure and Competition Committee**” means the disclosure and competition committee of the Board;

“**ESPP**” means the second amended and restated employee share purchase plan of the Corporation dated May 11, 2016;

“**Existing Deferred Share Plan**” means the third amended and restated deferred share plan of the Corporation dated May 14, 2013;

“**Governance Committee**” means the governance committee of the Board;

“**ICD**” means the Institute of Corporate Directors;

“**Independent Directors**” means the Directors who are independent within the meaning of NI 58-101;

“**Management Nominees**” means Michael Pyle and Gary Filmon;

“**Manufacturing Sector Advisory Committee**” means the manufacturing sector advisory committee of the Board;

“**Meeting**” means the annual and special meeting of Shareholders to be held on May 9, 2018 at the time and place set forth in the Notice of Meeting and, where the context requires, includes any adjournment thereof;

“**NI 58-101**” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*;

“**Notice of Meeting**” means the notice of the Meeting accompanying this Circular;

“**NP 58-201**” means National Policy 58-201 *Corporate Governance Guidelines*;

“**Ordinary Resolution**” means the affirmative vote of not less than a majority of votes cast by Shareholders with respect to a particular matter;

“**Record Date**” means April 2, 2018;

“**RSU**” means a restricted share unit issued pursuant to the RSU Plan;

“**RSU Plan**” means the restricted share unit plan of the Corporation dated April 4, 2018;

“**Share**” means a common share of the Corporation;

“**Shareholder(s)**” means the holder(s) of Shares; and

“**TSX**” means the Toronto Stock Exchange.

## MANAGEMENT INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Circular and the accompanying form of proxy are for use at the Meeting and any adjournments or postponements thereof for the purposes described in the accompanying Notice of Meeting. The Meeting is scheduled for 10:30 a.m. (Winnipeg Time) on May 9, 2018 at:

Calm Air Hangar  
930 Ferry Road  
Winnipeg, MB R3H 0Y8

Proxies are being solicited by the management of the Corporation. Solicitations of proxies will be primarily by mail, but may also be solicited personally by officers or Directors of the Corporation, at a nominal cost. In accordance with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

Except as otherwise stated, the information contained herein is given as of the date of this Circular.

### APPOINTMENT AND REVOCATION OF PROXIES

#### Appointment of Proxies

The Management Nominees have been selected by the Directors and have indicated their willingness to represent Shareholders who appoint them as their proxy for the Meeting.

**A Shareholder has the right to designate a person (who need not be a Shareholder) other than the Management Nominees to represent him or her at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the enclosed instrument of proxy the name of the person to be designated and striking out the names of the Management Nominees, or by completing another proper instrument of proxy. Such Shareholder should notify the nominee of the appointment, obtain his or her consent to act as proxy and should provide instructions on how the Shareholder's Shares are to be voted. In any case, an instrument of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached where an attorney has executed the instrument of proxy.**

Shareholders of record at the close of business on the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting and any adjournment thereof, except to the extent such Shareholder transfers any of such Shareholder's Shares after the Record Date and the transferee of those Shares establishes that the transferee owns the Shares and demands, not later than ten days before the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote, in which case the transferee shall be entitled to vote the Shares at the Meeting.

Shareholders unable to attend the Meeting in person are requested to read this Circular and the accompanying form of proxy and to complete, sign and date the proxy together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof and deliver it to the Chair of the Corporation at Proxy Department, AST Trust Company (Canada), PO Box 721, Agincourt, Ontario, M1S 0A1 or by facsimile to 416-368-2502 (Toll Free: 1-866-781-3111 Canada & US Only) not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the holding of the Meeting or any adjournment thereof. A proxy is valid only at the meeting in respect of which it is given or any adjournment(s) of that meeting. Unregistered Shareholders who received the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.

#### Revocation of Proxies

A Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been held pursuant to its authority by an instrument in writing executed by the Shareholder or by the Shareholder's attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized and deposited at either the above mentioned office of AST Trust Company (Canada) or at the Corporation's head office, Attention: Chair, by no later than 3:30 p.m. (Winnipeg time) on or before the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting or any adjournment thereof. Notwithstanding the foregoing, if a registered Shareholder attends personally at the Meeting, such Shareholder may revoke the proxy and vote in person. The head office of the Corporation is 1067 Sherwin Road, Winnipeg, Manitoba, R3H 0T8.

#### Voting by Non-Registered Shareholders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are "non-registered" Shareholders ("Non-Registered Shareholders") because the Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an "Intermediary") that the Non-Registered Shareholder deals with in respect of Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees); or (ii) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the

Corporation will have distributed copies of the Notice of Meeting, this Circular, the form of proxy and the request form (collectively, the "Meeting Materials") to the applicable clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (a) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Shareholder and returned to the Intermediary or its service company, will constitute voting instructions (often called a "voting instruction form") which the Intermediary must follow. Typically, the voting instruction form will consist of one page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (b) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and deposit it with the Chair of the Corporation, c/o Proxy Department, AST Trust Company (Canada), PO Box 721, Agincourt, Ontario, M1S 0A1.

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder's name or such other person's name in the blank space provided. In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven days prior to the Meeting.

All references to Shareholders in this Circular and the accompanying proxy and Notice of Meeting are to Shareholders of record unless specifically stated otherwise.

#### **Voting of Proxies**

The persons named in the accompanying form of proxy will vote or withhold from voting the Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing them. **In the absence of such direction, those Shares will be voted in favour of ("For") each of the matters identified in the Notice of Meeting.**

#### **Exercise of Discretion of Proxy**

**The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters identified in the Notice of Meeting and this Circular and with respect to matters that may properly come before the Meeting.** At the date of this Circular, management of the Corporation does not know of any amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and this Circular.

## INFORMATION RESPECTING EXCHANGE INCOME CORPORATION

### General

The head office of the Corporation is located at 1067 Sherwin Road, Winnipeg, Manitoba, R3H 0T8.

### Authorized Capital

The Corporation currently has one class of shares issued and outstanding that entitles holders thereof to vote at the Meeting, such class being the Shares. The Corporation is entitled to issue an unlimited number of Shares. Each Share outstanding on the Record Date is entitled to one vote at the Meeting.

### Voting Securities and the Principal Holders of Voting Securities

As at the date of this Circular, the Corporation has 31,407,929 Shares issued and outstanding. To the knowledge of management, no person beneficially owns, directly or indirectly, or controls or directs more than 10% of the outstanding Shares. The holders of Shares are entitled to receive notice of and attend any meeting of the Shareholders and are entitled to one vote thereat for each Share held by them respectively.

Each person who is a holder of a Share at the close of business on the Record Date will be entitled to notice of and to attend and vote at the Meeting except to the extent such Shareholder transfers the ownership of any of such holder's Shares after the Record Date and the transferee of those Shares produces properly endorsed Share certificates or otherwise establishes that the transferee owns such Shares and demands, not later than ten days before the Meeting, that such transferee's name be included in the list of Shareholders entitled to vote at the Meeting. Such transferee shall be entitled to vote such Shares at the Meeting.

To the knowledge of the Corporation's management, the only matters to be placed before the Meeting are the matters set forth in the Notice of Meeting as further described below.

### Interest of Certain Persons in Matters to be Acted Upon

To the knowledge of management, none of the Directors or executive officers of the Corporation, or any nominees for election as a Director, or any associate or affiliate of any such person, has any material interest, direct or indirect, by way of securities or otherwise in any matters to be acted upon at the Meeting.

## PARTICULARS OF MATTERS TO BE ACTED ON AT THE MEETING

### 1. Appointment of Auditor

It is proposed that PricewaterhouseCoopers LLP be appointed as the Corporation's auditor until the next annual meeting of the Shareholders and that the Directors be authorized to fix the auditor's remuneration. PricewaterhouseCoopers LLP has been the Corporation's auditor since May 14, 2013.

**To be effective, the resolution approving the appointment of the auditor and authorizing the Directors to fix the auditor's remuneration must be passed at the Meeting. The Directors recommend a vote FOR the appointment of the auditor and authorizing the Directors to fix the auditor's remuneration. In the absence of a contrary instruction, the Management Nominees intend to vote FOR the appointment of the auditor and authorizing the Directors to fix the auditor's remuneration.**

### 2. Election of Directors

The articles of the Corporation provide for a minimum of one Director and a maximum of 15 Directors. At present there are nine Directors. The Shareholders are entitled to elect the Directors. The Board has nominated 11 Directors for approval at the Meeting, including two new nominees, Polly Craik and Melissa Sonberg. The Directors are elected to hold office until the next annual meeting of the Shareholders or until their successors are appointed. The Board believes that these nominees have the diversity of skills, experience and qualifications required for effective oversight of the Corporation.

The following tables set forth the names of and certain additional information regarding the nominees for election as Directors (alphabetically). Except as noted, each nominee has held the principal occupation set forth below his/her name for the past five years. The additional information includes the number of Shares and Deferred Shares owned (directly or indirectly and over which control or direction is exercised) as of the date of this Circular and as of the date of the previous year's management information circular of the Corporation (April 4, 2017). The Share ownership requirements noted for each Director are more fully described in the Corporation's Director Share Ownership Policy which is described in "*Corporate Governance – Director Share Ownership Policy*". The Share ownership requirement for Michael Pyle as CEO is described in "*Executive Compensation - Compensation Governance and Compensation Committee*".

The estimated values of each Director's Shares and Deferred Shares is based on the closing price of the Shares on the TSX for the trading day immediately prior to the date of the management information circular of the Corporation for the current and prior year (as applicable), which are set forth below.

Year	Share price
2017	\$30.33 (closing price on April 3, 2018)
2016	\$38.53 (closing price on April 3, 2017)

<b>Brad Bennett O.B.C.</b>  Kelowna, BC  Joined the Board on July 28, 2009  Age: 60  Status: Independent	Mr. Bennett has been the President of McIntosh Properties Ltd., a real estate and investment holding company, since 1990. Mr. Bennett has served on a number of public and private company boards and is currently a director of Kal Tire Holdings Ltd., a director of Quails' Gate Winery, a director of UBC Properties Trust and a trustee of the Fraser Institute.								
	Past public service positions include Chair of British Columbia Hydro, Chair of MITACS, Chair of the University of British Columbia Board of Governors, Chair of Okanagan University College, Chair of Kelowna General Hospital Foundation, Chair of Rotary Centre for the Arts Building Committee in Kelowna, director of Powerex Inc., Co-Chair of the Central Okanagan Hospice Campaign and a member of the Premier's Technology Council.								
	Mr. Bennett received an honorary Alumni Award from the University of British Columbia in 2007, was awarded the Order of British Columbia in 2010 and received an honorary Doctorate of Laws from the University of British Columbia in 2011. Mr. Bennett was awarded the Queen's Diamond Jubilee Medal in 2012.								
	During 2017, Mr. Bennett was involved in the provincial government election in British Columbia and this resulted in him missing some of the irregular Board meetings held by the Corporation. The Corporation and the Board was aware of the responsibilities Mr. Bennett had during the election timeline and feels that the experience gained and being politically active are beneficial to the Corporation.								
	<b>Board / Committee Membership</b>				<b>Meeting attendance in 2017</b>				
	Board				13 of 20		65%		
	Compensation Committee				3 of 3		100%		
	Aerospace & Aviation Sector Advisory Committee				4 of 4		100%		
	Manufacturing Sector Advisory Committee				3 of 4		75%		
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Human resources and compensation</li> <li>• Strategic planning</li> <li>• Corporate mergers and acquisitions</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met	
2017	1,665,568	50,516,677	11,061	335,480	1,676,629	50,852,158	240,000	100%	
2016	1,595,168	61,461,823	9,259	356,749	1,604,427	61,818,572	240,000	100%	

<b>Gary Buckley</b>  Winnipeg, MB  Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)  Age: 57  Status: Independent	Mr. Buckley is the Chair of the Compensation Committee.								
	Mr. Buckley holds a Bachelor of Commerce degree from the University of Alberta. Mr. Buckley has been involved in the hotel and hospitality industry since 1983. Since 1998, Mr. Buckley has been the co-owner and operator of the Elkhorn Resort & Conference Center in Clear Lake, Manitoba. Mr. Buckley is also the largest shareholder of Genesis Hospitality Inc., which owns various hotel properties in Alberta, Manitoba and Ontario. Mr. Buckley is also the owner of additional commercial and multi-family residential properties. Mr. Buckley is currently a director of Pavilion Financial Corporation, and past director of Temple Hotels Inc. (formerly Temple Real Estate Investment Trust) and of the Cancer Care Manitoba Foundation as well as other non-profit organizations.								
	<b>Board / Committee Membership</b>				<b>Meeting attendance in 2017</b>				
	Board				16 of 20		80%		
	Audit Committee				6 of 6		100%		
	Compensation Committee				3 of 3		100%		
	Manufacturing Sector Advisory Committee				4 of 4		100%		
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Corporate development</li> <li>• Corporate governance</li> <li>• Project management</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	366,622	11,119,645	11,061	335,480	377,683	11,455,125	240,000	100%
2016	282,990	10,903,605	9,259	356,749	292,249	11,260,354	240,000	100%	

<b>Polly Craik</b>	Ms. Craik has served on the Aerospace & Aviation Sector Advisory Committee since 2014.								
Winnipeg, MB	Ms. Craik attended Advanced Business Executive Programs at the Massachusetts Institute of Technology from 1999 to 2004. In 2010, Ms. Craik received an honorary diploma from Red River College and in 2016, received the Manitoba Chambers of Commerce, Lieutenant Governor's award for outstanding contribution by an individual to the community.								
Nominated in May 2018	Ms. Craik owned and successfully ran Fine Line Communications Ltd., a private Canadian business for 30 years until its sale in 2015. She is currently the Chair of the Board of Manitoba Liquor & Lotteries Corporation, Director Emeritus of Manitoba Business Council, Board Member of Lake of the Woods Water Sustainability Foundation. She is past chair of the Manitoba Business Council and past chair of CentreVenture Development Corporation.								
Age: 56									
Status: Independent	<b>Board / Committee Membership</b>				<b>Meeting attendance in 2017</b>				
	Aerospace & Aviation Sector Advisory Committee (as a non-Director member)				4 of 4		100%		
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Entrepreneurship</li> <li>• Strategic planning</li> <li>• Online and social media</li> <li>• Marketing strategy</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<b>Allan Davis, CPA</b>	Mr. Davis holds a Bachelor of Commerce (Honours) degree from the University of Manitoba. He is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Manitoba. Mr. Davis is currently the President and director of AFD Investments Inc., a management consulting firm with extensive experience in transportation, distribution, and manufacturing. Mr. Davis is also the Independent Chair of the Board of Trustees and a member of the Audit Committee of the Boyd Group Income Fund.								
Kenora, ON	Mr. Davis was a non-Director member of the Manufacturing Sector Advisory Committee prior to his election as a Director.								
Joined the Board on May 15, 2014									
Age: 63									
Status: Independent	<b>Board / Committee Membership</b>				<b>Meeting attendance in 2017</b>				
	Board				20 of 20		100%		
	Audit Committee				6 of 6		100%		
	Manufacturing Sector Advisory Committee				4 of 4		100%		
	Compensation Committee				2 of 3		67%		
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Accounting and corporate finance</li> <li>• Strategic planning</li> <li>• Transportation, distributions and manufacturing management</li> <li>• Corporate restructuring</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	Boyd Group Income Fund (trustee)				2005 to present				
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	11,000	333,630	8,016	243,125	19,016	576,755	240,000	100%
	2016	11,000	423,830	6,402	246,669	17,402	670,499	240,000	100%

<p><b>Hon. Gary Filmon, P.C., O.C., O.M. LLD., ICD.D</b></p> <p>Winnipeg, MB</p> <p>Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)</p> <p>Age: 75</p> <p>Status: Independent</p>	<p>Mr. Filmon is currently the Chair of the Board.</p> <p>Mr. Filmon is a Corporate Director. Mr. Filmon holds a Master's degree in Civil Engineering from the University of Manitoba. He is a director of Canadian Natural Resources Limited and is and has been a business consultant since 2000. Prior to that he was Premier of the Province of Manitoba from 1988 to 1999. Mr. Filmon was previously a director of Manitoba Telecom Services Inc., Moffat Communications Ltd., Pollard Banknote Limited, director and Chair of FWS Construction Ltd., director and vice-chair of Wellington West Capital Inc., and chair of Canada's Security and Intelligence Review Committee. Mr. Filmon is a member of the Order of Manitoba and an Officer of the Order of Canada. Mr. Filmon is a member of the Board of the ICD and received the ICD.D designation in 2015.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20	100%	
	Governance Committee						7 of 7	100%	
	Manufacturing Sector Advisory Committee						4 of 4	100%	
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Strategic planning</li> <li>• Capital markets</li> <li>• Project management</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	Canadian Natural Resources Limited						2006 to present		
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
2017	66,683	2,022,495	24,389	739,718	91,072	2,762,214	523,500	100%	
2016	55,590	2,141,883	20,100	774,453	75,690	2,916,336	523,500	100%	

<p><b>Duncan D. Jessiman Q.C.</b></p> <p>Winnipeg, MB</p> <p>Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)</p> <p>Age: 71</p> <p>Status: Non-Independent</p>	<p>Mr. Jessiman is currently the Executive Vice-Chair in charge of special projects and chairs the Disclosure and Competition Committee.</p> <p>Mr. Jessiman holds a Bachelor of Commerce degree and a Law degree from the University of Manitoba and developed the concept for the Corporation with Mr. Pyle and started it in 2002. Mr. Jessiman originally served as Chair and Chief Executive Officer of the Corporation, but gave up the Chair in 2005 in accordance with good governance practices at the time. He then gave up the position of CEO on August 1, 2006 for family reasons and became Executive Vice-Chair in charge of special projects.</p> <p>Before starting the Corporation, Mr. Jessiman practiced law in Winnipeg in the areas of corporate, commercial and securities law. Mr. Jessiman was a member of the TSX Venture Exchange Winnipeg Local Advisory Committee; former director of Consolidated Properties Ltd., a TSX listed company; former director of Geocrude Energy Inc., a TSX listed company which was taken over by Canada North West Energy Inc.; former director of Pan Cana Industries Ltd., a TSX listed company which was taken over by Geocrude Energy Inc.; and a former director of Enerplus Energy Services Ltd., the management company for Enerplus Resources Fund. Mr. Jessiman devotes a significant amount of his working time to the business of the Corporation.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20	100%	
	Disclosure and Competition Committee						4 of 4	100%	
	Aerospace & Aviation Sector Advisory Committee						4 of 4	100%	
	Manufacturing Sector Advisory Committee						4 of 4	100%	
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Business law</li> <li>• Corporate development</li> <li>• Mergers and acquisitions</li> <li>• Capital markets</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met	
2017	124,028	3,761,769	37,273	1,130,490	161,301	4,892,259	240,000	100%	
2016	120,582	4,646,025	34,987	1,348,049	155,569	5,994,074	240,000	100%	

<p><b>Serena Kraayeveld</b> FCPA, FCA, ICD.D.</p> <p>Winnipeg, MB</p> <p>Joined the Board on November 10, 2011</p> <p>Age: 67</p> <p>Status: Independent</p>	<p>Ms. Kraayeveld is the Chair of the Governance Committee.</p> <p>Ms. Kraayeveld graduated with a Bachelor of Commerce (Honours) degree from the University of Manitoba and is a member of the Chartered Professional Accountants of Manitoba and Canada. Ms. Kraayeveld was elected an FCA by the Institute of Chartered Accountants of Manitoba in 1990. Prior to her retirement from public practice in 2008, Ms. Kraayeveld was a tax partner with PricewaterhouseCoopers LLP, providing tax and business advisory services to public and private clients in a broad range of industries. In addition, Ms. Kraayeveld served terms as the Managing Partner of the Winnipeg Office of Coopers &amp; Lybrand, as the Partner in Charge of the Winnipeg tax practice of PricewaterhouseCoopers LLP and as a member of the Partnership Board of each of these firms.</p> <p>Ms. Kraayeveld is a member of the ICD and received the ICD.D designation in 2008. Other past board positions have included the boards of CAA Manitoba, Institute of Chartered Accountants of Manitoba, Canadian Tax Foundation, United Way of Winnipeg, Manitoba Theatre Centre, Ducks Unlimited Canada and YWCA of Winnipeg.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20	100%	
	Audit Committee						6 of 6	100%	
	Governance Committee						7 of 7	100%	
	Aerospace & Aviation Sector Advisory Committee						4 of 4	100%	
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Accounting and taxation</li> <li>• Corporate governance</li> <li>• Corporate development</li> <li>• Mergers and acquisitions</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	6,000	181,980	11,061	335,480	17,061	517,460	240,000	100%
	2016	5,000	192,650	9,259	356,749	14,259	549,399	240,000	100%

<p><b>Michael Pyle, MBA</b> ICD.D.</p> <p>Winnipeg, MB</p> <p>Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)</p> <p>Age: 53</p> <p>Status: Non-Independent</p>	<p>Mr. Pyle is the Chief Executive Officer of the Corporation. Together with Mr. Jessiman, Mr. Pyle developed the initial concept of the Corporation in 2002. Mr. Pyle has held the position of CEO since August 1, 2006.</p> <p>Mr. Pyle holds a Bachelor of Arts degree (Economics) and a MBA (Finance) from the University of Manitoba. He served in positions of increasing seniority culminating as President of The Arctic Glacier Income Fund (and its predecessor, The Arctic Group Inc.) from 1998 to 2002. He previously worked with RoyNat Capital in Winnipeg from 1990 to 1996 and from 1997 to 1998. Mr. Pyle was employed as the Vice-President of Corporate Development for Westsun International Inc. in Winnipeg from 1996 to 1997.</p> <p>Mr. Pyle is currently a director of CentrePort Canada Inc. and a director of the Winnipeg Blue Bombers Football Club. Mr. Pyle devotes the majority of his time to the Corporation. Mr. Pyle is a member of the ICD and received the ICD.D designation in 2017.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20	100%	
	Disclosure and Competition Committee						3 of 4	75%	
	Aerospace & Aviation Sector Advisory Committee						4 of 4	100%	
	Manufacturing Sector Advisory Committee						4 of 4	100%	
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Operations</li> <li>• Capital markets</li> <li>• Mergers and acquisitions</li> <li>• Strategic planning</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	15,720	476,788	233,694	7,087,939	249,414	7,564,727	3,240,000	100%
	2016	10,527	405,605	189,344	7,295,425	199,871	7,701,030	1,830,000	100%

<p><b>Melissa Sonberg</b> B.Sc., M.H.A., ICD.D.</p> <p>Montreal, QC</p> <p>Nominated in May 2018</p> <p>Age: 57</p> <p>Status: Independent</p>	<p>Ms. Sonberg is a corporate director and an Adjunct Professor and Executive-in-Residence at McGill University's Desautel Faculty of Management where she focuses on compensation strategy, group dynamics and leadership development.</p> <p>Ms. Sonberg spent the early part of her career in the health care industry before joining Air Canada in 1991. Over her ten years with the airline she held leadership positions in a range of customer facing, operational and corporate functions. In 2001, Ms. Sonberg became part of the founding executive team of Aeroplan and was a core member of the management of Aeroplan as it transitioned to a separate business entity, completed an initial public offering and expanded its global business, now known as AIMIA, through multiple international acquisitions and joint ventures. During her 12 years with AIMIA, Ms. Sonberg held the positions of Senior Vice President, Human Resources &amp; Corporate Affairs and Senior Vice President, Global Brands, Communications and External Affairs.</p> <p>Ms. Sonberg has a wealth of experience on corporate and advisory boards. She currently serves on the boards of MD Financial Holdings, Canadian Professional Sales Association, Women in Capital Markets, Equitas – International Centre for Human Rights Education and on the advisory board of a significant family-owned corporation based in Quebec. Past board experience includes Via Rail Canada, Rideau Recognition Solutions Inc. and the McGill University Health Centre.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	N/A						N/A		N/A
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Global Branding</li> <li>• International Business</li> <li>• Aviation &amp; Aerospace</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
		Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<p><b>Donald Streuber,</b> FCPA, FCA</p> <p>Winnipeg, MB</p> <p>Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)</p> <p>Age: 60</p> <p>Status: Independent</p>	<p>Mr. Streuber currently chairs the Audit Committee and the Aerospace &amp; Aviation Sector Advisory Committee.</p> <p>Mr. Streuber is Executive Chairman of Bison Transport Inc. Bison is one of Canada's largest van truckload carriers of freight and has been recognized as one of Canada's 50 best managed companies for over 20 years. He is a Chartered Professional Accountant and is a member of the Institute of Chartered Professional Accountants of Manitoba. Prior to joining Bison in 1999, Mr. Streuber was a partner at Sill Streuber Fiske &amp; Company, Chartered Accountants. Mr. Streuber was elected an FCA by the Institute of Chartered Accountants of Manitoba in 2012.</p> <p>Mr. Streuber is the past Chairman of CentrePort Canada Inc., past Chairman of the Canadian Trucking Alliance, past Chairman of the Business Council of Manitoba, past Chairman for Providence College and Seminary, a member of the Business Council of Canada and Vice Chairman for the Assiniboine Park Conservancy.</p>								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20		100%
	Audit Committee						6 of 6		100%
	Governance Committee						7 of 7		100%
	Aerospace & Aviation Sector Advisory Committee						4 of 4		100%
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Audit and accounting</li> <li>• Marketing and sales</li> <li>• Mergers and acquisitions</li> <li>• Enterprise risk management</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	None								
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
		Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	330,868	10,035,226	11,061	335,480	341,929	10,370,707	240,000	100%
	2016	310,456	11,961,870	9,259	356,749	319,715	12,318,619	240,000	100%

<b>Edward Warkentin LL.B.</b>  Winnipeg, MB  Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)  Age: 68  Status: Independent	Mr. Warkentin is the Chair of the Manufacturing Sector Advisory Committee.  Mr. Warkentin holds an undergraduate degree from the University of Winnipeg, a law degree from the University of Manitoba and has been a member of the Bars of Ontario and Manitoba for more than 35 years. Mr. Warkentin is the former Managing Partner of Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP) where he practiced in the area of corporate and commercial law.  Mr. Warkentin is a former director and Chair of Youth for Christ (Winnipeg) Inc., former director of Manitoba Mineral Resources Ltd. and a former director of Grace Hospital Board of Management. Mr. Warkentin is currently a trustee and Chair of Artis Real Estate Investment Trust, a TSX listed issuer. He is also a director or officer of several private corporations and foundations and is a member of the ICD, Manitoba Chapter.								
	<b>Board / Committee Membership</b>						<b>Meeting attendance in 2017</b>		
	Board						20 of 20	100%	
	Compensation Committee						3 of 3	100%	
	Manufacturing Sector Advisory Committee						4 of 4	100%	
	<b>Key Areas of Expertise</b>								
	<ul style="list-style-type: none"> <li>• Business law</li> <li>• Corporate governance</li> <li>• Financial</li> <li>• Human resources and compensation</li> </ul>								
	<b>Other Current Public Company Directorships</b>								
	Artis Real Estate Investment Trust (trustee)						2004 to present		
	All in West! Capital Corporation						2007 to present		
	<b>Number of Shares Owned (directly or indirectly, over which control or direction is exercised)</b>								
	Year	Shares (#)	Shares (\$)	Deferred Shares (#)	Deferred Shares (\$)	Total (#)	Total Value (\$)	(\$ Share Ownership Requirement)	Percentage of Target Met
	2017	30,025	910,658	11,061	335,480	41,086	1,246,138	240,000	100%
2016	23,250	895,823	9,259	356,749	32,509	1,252,572	240,000	100%	

**To be effective, the resolution electing the Directors must be passed at the Meeting. The Directors recommend a vote FOR the election of the Directors referenced above. In the absence of a contrary instruction, the Management Nominees intend to vote FOR the election of the Directors referenced above.**

#### **Prior Year Voting Results**

At the 2017 annual and special meeting of Shareholders held on May 10, 2017, the nine individuals who were nominated to be elected as Directors received the following votes regarding their appointment from Shareholders (listed alphabetically):

<b>Director Election Results: 2017 Annual and Special Meeting of Shareholders</b>			
<b>Director</b>	<b>Brad Bennett</b>	<b>Gary Buckley</b>	<b>Allan Davis</b>
For:	10,973,926	10,848,949	11,221,115
Withheld:	261,703	386,680	14,514
Total	11,235,629	11,235,629	11,235,629
% in Favour:	97.67%	96.55%	99.87%
<b>Director</b>	<b>Gary Filmon</b>	<b>Duncan Jessiman</b>	<b>Serena Kraayeveld</b>
For:	11,172,115	10,990,378	11,072,492
Withheld:	63,514	245,251	163,137
Total	11,235,629	11,235,629	11,235,629
% in Favour:	99.43%	97.82%	98.55%
<b>Director</b>	<b>Michael Pyle</b>	<b>Donald Streuber</b>	<b>Edward Warkentin</b>
For:	11,211,910	11,221,680	10,392,067
Withheld:	23,719	13,949	261,703
Total	11,235,629	11,235,629	11,235,629
% in Favour:	99.79%	99.88%	92.48%

#### **Majority Voting**

The Board has adopted a majority voting policy pursuant to which, with respect to uncontested Board elections, each nominee who receives more votes withheld than are voted in favour of him or her, such nominee will be expected to forthwith submit his or her resignation to the Board, to be effective on its acceptance by the Board. The Board will refer the resignation to the Governance Committee for consideration. The Board will promptly accept the resignation unless the Governance Committee recommends to the Board that there are circumstances warranting that such Director continue to serve as a Director. In any event, it is expected that the resignation will be accepted (or rejected) by the Board within 90 days of the meeting of Shareholders, during which time an alternate Director may be appointed.

#### **Corporate Cease Trade Orders and Bankruptcies**

For the purposes of this section "Order" means:

- (a) a cease trade order;

- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for more than 30 consecutive days.

None of the proposed Directors is, except for Mr. Filmon and Mr. Warkentin as described below, as of the date of this Circular, or has been, within ten years before the date of this Circular, a director or executive officer of any company or other entity that:

- (a) was subject to an Order that was issued while the proposed Director was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) was subject to an Order that was issued after the proposed Director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (c) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or director appointed to hold its assets.

Mr. Gary A. Filmon is a trustee of Arctic Glacier Income Fund which on February 22, 2012 applied for and was granted by the Manitoba Court of Queen's Bench, protection under the Companies' Creditors Arrangement Act (Canada) (the "CCAA") while it underwent restructuring and a sale and investment solicitation process which sale and investment solicitation process was completed on July 27, 2012. Recognition of the CCAA proceedings in the United States under Chapter 15 of the United States Bankruptcy Code, as amended had taken place before the sale and investment solicitation process was begun.

Mr. Edward Warkentin is a director of All in West! Capital Corporation, a company that owned certain hotel properties located in Alberta and which was unable to meet its obligations to creditors during the downturn in the Alberta economy. Pursuant to enforcement action taken by the company's mortgage lenders, the Alberta Court of Queen's Bench issued an order appointing a receiver for the company's hotel properties in 2016 and issued an order approving the sale of the properties in 2017. In addition, as a result of the failure of the company to file audited financial statements, in 2016 securities regulatory authorities in the provinces of Manitoba, Ontario and British Columbia issued cease trade orders prohibiting trading in the company's securities and such orders continue to be in effect.

### ***Individual Bankruptcies***

No current or proposed Director is, or has, within the ten years preceding the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors, or had a receiver, receiver manager or director appointed to hold the assets of the proposed Director.

### **3. Approval of Amended Deferred Share Plan**

#### ***Eligible Persons***

The purpose of the Deferred Share Plan is to promote a greater alignment of interests between the Directors, officers and employees of the Corporation and its affiliates (each an "Eligible Person") and the Shareholders. Eligible Persons may be selected from time to time to participate in the Deferred Share Plan at the discretion of the Compensation Committee (selected persons being "Participants" in the Deferred Share Plan) and granted such number of Deferred Shares from time to time as the Compensation Committee deems appropriate. Deferred Shares are not Shares and do not entitle a Participant to any rights as a Shareholder, including, without limitation, voting rights, dividend entitlements (other than as set out in the Deferred Share Plan and described below) or rights on liquidation. One Deferred Share is equivalent to one Share. Fractional Deferred Shares are permitted under the Deferred Share Plan.

#### ***Fair Value Methodology***

The Deferred Share Plan is accounted for as an equity-settled method. Under this method the Deferred Shares granted are fair valued at the grant date when the grant is approved by the Board. The fair value of the grant is based on the market price of the Shares at the grant date.

#### ***Number of Shares Reserved for Issuance under the Deferred Share Plan***

The total number of Shares authorized for issuance upon the redemption of all Deferred Shares granted under the Deferred Share Plan and all other security based compensation arrangements shall not exceed 10% of the issued and outstanding Shares from time to time; provided, however, that: (i) at no time shall the number of Shares reserved for issuance to insiders of the Corporation pursuant to outstanding Deferred Shares, together with the number of Shares reserved for issuance to such persons pursuant to any other compensation arrangements, exceed 10% of the then outstanding Shares, as calculated immediately prior to the issuance in question; and (ii) the number of Shares issued to insiders of the Corporation pursuant to outstanding Deferred Shares together with the number of Shares issued to such persons pursuant to any other compensation arrangements, within any one year period, shall not exceed 10% of the then outstanding Shares. There is no specific maximum number of Deferred Shares that may be issued to any one Eligible Person pursuant to the Deferred Share Plan.

The Amended Deferred Share Plan amends the Existing Deferred Share Plan to provide that the maximum aggregate number of Shares which may be reserved for issuance under the Deferred Share Plan to all Non-Executive Directors (as defined in the Amended Deferred Share Plan) shall be 1% of the Shares issued and outstanding at the award date (on a non-diluted basis), and the aggregate number of securities granted under all security based compensation arrangements to any one Non-Executive Director within any one calendar year period shall not exceed a maximum value of Cdn. \$150,000 worth of securities, in each case as determined in accordance with the Amended Deferred Share Plan and calculated without reference to:

- (a) any Deferred Shares or other equity awards that are granted to or accepted by a Non-Executive Director in lieu of cash fees, provided that the equity award granted has an initial value that is equal to the value of the cash fees foregone; or
- (b) any Deferred Shares held by any former directors of the Company or by any officers or employees of the Company who are also serving as directors of the Company,

(such maximum aggregate number of Shares being hereinafter referred to as the "Director Limitations").

The Amended Deferred Share Plan amends the Existing Deferred Share Plan to permit directors of the Corporation to elect in each calendar year to receive their respective director's retainer in cash, Deferred Shares or a combination thereof (which retainer, for the purposes of the Amended Deferred Share Plan, does not include committee member/chairperson retainers, Board or committee meeting fees, or special remuneration for ad hoc services rendered to the Board). The number of Deferred Shares granted to a director electing to receive his or her retainer in Deferred Shares is determined based on the Market Value (as defined below) of the Shares on the date the Deferred Shares are awarded.

As at the date of this Circular, the total number of Shares that may be reserved for issuance under any equity compensation plans approved by the Shareholders is 3,140,793 (10% of the issued and outstanding Shares). As at the date hereof there are 790,622 Deferred Shares (2.5% of the issued and outstanding Shares) issued and outstanding and 115,083 Shares held pursuant to the ESPP (0.4% of the issued and outstanding Shares). Therefore, an additional 2,235,088 Shares (7.1% of the issued and outstanding Shares) may be reserved for issuance under the Deferred Share Plan and the ESPP, collectively. Currently, 458,069 Shares have been reserved for issuance with the TSX under the Deferred Share Plan and 54,731 Shares have been reserved for issuance with the TSX under the ESPP. None of these Shares have been issued. Since the date of inception of the Deferred Share Plan, the Corporation has issued 70,396 Shares pursuant to the Deferred Share Plan (0.2% of the issued and outstanding Shares).

#### ***Burn Rate***

The burn rate of the Deferred Share Plan is expressed as a percentage and is equal to the number of Deferred Shares issued pursuant to the Deferred Share Plan in a particular year divided by the weighted average number of Shares outstanding for the particular year, calculated as prescribed by the TSX. The burn rate of the Deferred Share Plan for the past three financial years of the Corporation is as follows:

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Burn Rate</b>	0.4%	0.5%	0.3%

#### ***Vesting of Deferred Shares***

Subject to the exceptions noted below, Deferred Shares granted to Participants pursuant to the Deferred Share Plan shall vest in accordance with the following schedule:

- (a) 33% of the Deferred Shares on the first anniversary of the initial grant;
- (b) 33% of the Deferred Shares on the second anniversary of the initial grant; and
- (c) 34% of the Deferred Shares on the third anniversary of the initial grant.

Deferred Shares are credited to the Participant's "Deferred Share account" (as defined in the Deferred Share Plan) upon vesting. Notwithstanding the foregoing, Deferred Shares granted to non-management Directors who are "independent" within the meaning of NI 58-101 shall vest immediately. In addition, to the extent not already vested, Deferred Shares issued to a Participant after the Participant has reached the age of 55 and who has been a Director, officer or employee of the Corporation or an affiliate of the Corporation for a period of not less than ten years shall vest immediately. For the purposes of the foregoing, the time served by a Participant as a Director or officer of the Corporation or any predecessor of the Corporation or its subsidiaries shall be included in the calculation of the time served by such Participant as a Director or officer of the Corporation or an affiliate of the Corporation.

In addition, upon the happening of a "Change of Control" (as defined in the Deferred Share Plan) Deferred Shares will vest on the earlier of the next applicable vesting date as set out above or on the date that is immediately prior to the Change of Control. In addition, the Compensation Committee shall have discretion to vary the manner in which Deferred Shares vest for any Participant.

#### ***Additional Deferred Shares Credited with Cash Dividends***

Whenever dividends are paid to the holders of the Shares, additional Deferred Shares will be credited to each Participant's Deferred Share account. The number of such additional Deferred Shares shall be calculated by dividing:

- (a) the amount determined by multiplying:
  - (i) the number of Deferred Shares in such Participant's Deferred Share account on the record date for the payment of such dividend by;
  - (ii) the dividend paid per Share;

by

(b) 100% of the Market Value (as defined below) of a Share on the dividend payment date for such dividend,

in each case, with fractions computed to two decimal places. Such additional Deferred Shares shall vest at the same time and on the same basis as the Deferred Shares in respect of which they are credited.

For the purposes of the Deferred Share Plan, "Market Value" at any date in respect of the Shares is defined as the average of the closing prices (or if the Shares are not traded on a trading day, the average of the closing bid price and the closing ask price) on the TSX for the ten trading days immediately preceding such date (or, if such Shares are not listed and posted for trading on the TSX, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Directors). In the event that such Shares are not listed and posted for trading on any stock exchange, the "Market Value" shall be the fair market value of such Shares as determined by the Compensation Committee in its sole discretion.

#### ***Redemption of Deferred Shares***

For the purposes of the Deferred Share Plan, "Redemption Date" means, in respect of a Participant who is not a U.S. Participant (as defined below), the earliest of the date: (i) of the death of the Participant; (ii) that the Participant becomes unable, as a result of any physical or mental illness, to fulfill their significant duties as a Director, officer or employee of the Corporation or its affiliates, as the case may be, which will be deemed to have occurred if the Participant qualified under any disability insurance policy; (iii) that the Participant ceased to be a Director, officer or employee of the Corporation or its affiliates; or (iv) the Compensation Committee approves the redemption of Deferred Shares by the Participant. In this summary, a "U.S. Participant" means a Participant that is subject to the United States Internal Revenue Code of 1986, as amended (in this summary, the "Code").

Following a Participant's Redemption Date, the Participant shall select, in the form and manner prescribed by the Compensation Committee, an entitlement date on which the Deferred Shares credited to the Participant's Deferred Share account, which have vested in accordance with the Deferred Share Plan, shall be redeemed (the "Entitlement Date"). The Entitlement Date shall be no later than the end of the first quarter immediately following the quarter in which the Participant's Redemption Date occurred. In the event that the Participant does not select an Entitlement Date prior to the end of the first quarter immediately following the quarter in which the Participant's Redemption Date occurred, the Entitlement Date shall be deemed to be the last day of the quarter immediately following the quarter in which the Participant's Redemption Date occurred.

Subject to: (i) the provisions of the Deferred Share Plan; and (ii) the receipt by The Canadian Depository for Securities Limited of the Participant's brokerage account information from his or her securities broker, the Participant shall receive (in a form and manner to be prescribed by the Compensation Committee), within ten (10) business days after the Entitlement Date, a whole number of Shares from the Corporation equal to the whole number of Deferred Shares then recorded in the Participant's Deferred Share account that have vested in accordance with the provisions of the Deferred Share Plan, net of any applicable withholding taxes. To facilitate the payment of applicable withholding taxes, the Corporation may, in its sole discretion, provide a cash loan to the Participant in an amount equal to the estimated amount of the tax liability payable in respect of the Shares received by the Participant upon the redemption of the Deferred Shares, which loan shall bear interest at a rate and which shall be repayable on such terms as agreed upon by the Corporation and the Participant. In the event that the Participant and the Corporation cannot agree to the terms of the loan or cannot come to other mutually agreeable arrangements, the Corporation may as a condition of issuing the Shares to the Participant under the Deferred Share Plan (i) require the Participant to reimburse the Corporation for any applicable withholding taxes in respect of the issuance of the Shares to such Participant; (ii) reserve the right to withhold, consistent with any applicable law, from any compensation or other amounts payable to the Participant, any applicable withholding taxes required to be paid by the Corporation on behalf of the Participant or on its own behalf as a result of the issuance of Shares to such Participant; (iii) retain, acquire or sell on behalf of a Participant any Shares that would otherwise be issued to a Participant; or (iv) impose such other requirements as the Corporation in its discretion determines is necessary to ensure the payment of the applicable withholding taxes.

Upon redemption of the Deferred Shares held by a Participant that have vested in accordance with the Deferred Share Plan, all of the Deferred Shares held by such Participant, whether vested or unvested, shall be cancelled unless otherwise determined by the Compensation Committee in its sole discretion.

#### ***United States Participants***

The Deferred Share Plan provides for a different definition of "Redemption Date" for U.S. Participants that is in compliance with the Code and has certain other differences for U.S. Participants. For a description of these provisions, see "Appendix for U.S. Participants" which is attached as an appendix to the Amended Deferred Share Plan attached hereto as Schedule "B".

#### ***Amendment, Suspension or Termination of the Deferred Share Plan***

The Board may amend, suspend or terminate the Deferred Share Plan or any provision thereof at any time, without the approval of Shareholders. Without limiting the generality of the foregoing, the Board may make changes:

- (a) to correct errors, immaterial inconsistencies or ambiguities in the text of the Deferred Share Plan;
- (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies; and
- (c) to the vesting provisions applicable to Deferred Shares issued under the Deferred Share Plan.

Notwithstanding the foregoing, the following amendments to the Deferred Share Plan require an affirmative vote by a majority of the votes cast by Shareholders at a meeting called for that purpose:

- (a) an amendment that would result in any increase in the number of Deferred Shares issuable under the Deferred Share Plan;

- (b) the addition of provisions that would permit Deferred Shares granted under the Deferred Share Plan to be transferable or assignable other than as set forth below under "Assignment of Deferred Shares"; and
- (c) a change in the amendment provisions so as to grant the Board or the Compensation Committee additional powers to amend the Deferred Share Plan or entitlements without the approval of Shareholders.

In addition, the Amended Deferred Share Plan amends the Existing Deferred Share Plan to add the following as amendments which require an affirmative vote by a majority of the votes cast by Shareholders at a meeting called for that purpose:

- (a) an amendment to the definition of "Participant" or the eligibility requirements for participating in the Deferred Share Plan where such amendment would have the potential of broadening or increasing insider participation; and
- (b) an amendment to the Director Limitations.

If the Board terminates the Deferred Share Plan, Deferred Shares previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Deferred Share Plan in effect immediately prior to the termination.

### **Assignment of Deferred Shares**

In no event may the rights or interest of a Participant under the Deferred Share Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that: (i) certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or by the laws of succession and distribution; and/or (ii) the Deferred Shares may be assigned or transferred to a Participant's tax free savings account, if eligible to be held in such account.

### **Resolution**

At the Meeting, Shareholders will be asked to vote on the following Ordinary Resolution, with or without variation:

"BE IT RESOLVED THAT:

- (a) the fourth amended and restated deferred share plan of the Corporation dated May 9, 2018, which governs the way by which the Corporation may grant deferred shares to various parties, submitted to the meeting and initialed by the Chair for identification purposes, be hereby approved;
- (b) the directors of the Corporation are hereby authorized to reserve for issuance from time to time such number of shares as may be issued pursuant to the terms of the fourth amended and restated deferred share plan of the Corporation;
- (c) the Corporation be and is hereby authorized to continue granting deferred shares under its fourth amended and restated deferred share plan until May 9, 2021, being the date that is three years from the date of this shareholder approval of the third amended and restated deferred share plan; and
- (d) any one director or officer of the Corporation be and is hereby authorized to execute, deliver and file such documents, and do all such other things, as such person considers necessary or advisable to give effect to the foregoing resolutions."

**To be effective, the Ordinary Resolution approving the Amended Deferred Share Plan must be passed at the Meeting. The Directors recommend a vote FOR the approval of the Amended Deferred Share Plan. In the absence of a contrary instruction, the Management Nominees in the enclosed form of proxy intend to vote FOR the foregoing resolution.**

## **CORPORATE GOVERNANCE**

### **Introduction**

The Board believes that sound corporate governance practices are essential to the well-being of the Corporation and its Shareholders, and that these practices should be reviewed regularly to ensure that they are appropriate. The Board has reviewed the guidelines for effective corporate governance contained in NP 58-201 issued by the Canadian Securities Administrators and other relevant regulations regarding corporate governance practices. The Canadian Securities Administrators have also adopted NI 58-101 which requires Canadian reporting issuers to annually disclose their corporate governance practices. Regulatory changes to governance practices that have occurred, or will occur, are continually monitored by the Board and the Board has taken, or will take appropriate action as regulatory changes occur. Below is a discussion on the current composition of the Board and the current governance practices of the Corporation.

The Directors have in place appropriate structures to ensure that they can function independently of management. The responsibilities of the Chair of the Board include overseeing that the Directors discharge their responsibilities. The Chair of the Board is the Honourable Gary Filmon, P.C., O.C., O.M.

The CEO of the Corporation is responsible for the overall administration and management of the Corporation and its subsidiaries. All major policy decisions relating to the Corporation and its subsidiaries are made by the Directors or a committee thereof. Each subsidiary of the Corporation has its own management team that is responsible for the day-to-day management of each respective subsidiary. As applied to a Director herein, "Independent" has the meaning ascribed to such term in respect of a director of an issuer in NI 58-101 and as may subsequently be in effect from time to time or any successor policy thereto and includes having no direct or

indirect material relationship with the Corporation, where a “material relationship” is a relationship which could, in the view of the Directors, reasonably interfere with the exercise of such Director’s independent judgment.

### **Board of Directors of the Corporation**

The Board is comprised of a majority of Independent Directors, which facilitates its exercise of independent supervision over management. The composition of Independent Directors and non-Independent Directors is as follows:

#### Independent Directors currently are:

- Gary Filmon
- Donald Streuber
- Gary Buckley
- Serena Kraayeveld
- Edward Warkentin
- Brad Bennett
- Allan Davis

#### Non-Independent Directors are:

- Michael Pyle (CEO)
- Duncan Jessiman (Executive Vice-Chair)

Gary Filmon is the Chair of the Board and is an Independent Director. The two newly nominated Directors, Polly Craik and Melissa Sonberg, if elected by Shareholders at the Meeting, will also be Independent Directors.

The Independent Directors hold regularly scheduled in-camera meetings without management and the non-Independent Directors. These in-camera meetings take place at a minimum at every regularly scheduled meeting of the Board, and also take place at some irregularly held meetings. In the financial year of the Corporation ended December 31, 2017, six such in-camera meetings were held by the Independent Directors.

### **Board Mandate**

The mandate of the Board provides that the Directors must act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Corporation is required to have a minimum of one Director and a maximum of 15 Directors.

The Board has adopted the Board Mandate. The full text of the Board Mandate is attached as Schedule “A” to this Circular.

### **Position Descriptions**

The Board has developed written position descriptions for the Chair of the Board as well as for the Chair of the Audit Committee. The duties of the Chairs of the other committees of the Board are set forth in the charters of each of the other committees of the Board. The Board has also developed a written position description for the CEO of the Corporation.

### **Ethical Business Conduct**

The Corporation has adopted a Code of Ethics, an Insider Trading Policy, and a Disclosure and Competition Policy. Every Director, officer and employee of the Corporation and its subsidiaries receives a copy of these documents upon commencement of employment with the Corporation or a subsidiary, as applicable. The Code of Ethics is monitored by the Governance Committee. A copy of the Code of Ethics may be obtained by any person by contacting the Corporate Secretary of the Corporation at its address set forth in this Circular.

The Board Mandate provides that Directors must understand conflict of interest issues and declare all real or perceived conflicts, and disclose contracts or arrangements with the Corporation or any of its subsidiaries in which a Director has an interest. The by-laws of the Corporation provide that each Director must disclose the nature and extent of his or her interest in a contract or transaction or proposed contract or transaction in which he or she has an interest in the manner provided by the *Canada Business Corporations Act*.

### **Other Directorships**

For a summary of the Directors who are currently directors or trustees of other reporting issuers, see “*Particulars of Matters to be Acted Upon at the Meeting – Election of Directors*”.

The Board has adopted a policy to limit the number of outside public company directorships that may be held by Directors to two for Directors holding full-time executive positions and to four for other Directors.

There are currently no common memberships on boards of other public companies among the Directors.

### **Director Term Limits**

The Board does not believe that arbitrary term limits for Directors are appropriate nor does it believe that Directors should be required to retire from the Board upon reaching a certain age. The Board believes that imposing term limits on Directors or a

mandatory retirement age could result in the loss of the contribution of Directors who have valuable experience and qualifications as Directors and who have developed, over a period of time, insight and perspective into the Corporation and its businesses.

The Board relies upon the annual formal Board, committee, and Director assessments for evaluating performance as described under "*Governance Committee*". Accordingly, the Board has not adopted a policy imposing term limits on Directors or imposing a mandatory retirement age for Directors.

### **Diversity of Board and Executives**

In 2016 the Board adopted a formal policy on diversity ("Board Diversity Policy"), which is summarized below.

The Board believes in diversity and values the benefits that diversity can bring to its Board. Diversity promotes the inclusion of different perspectives and ideas, mitigates against groupthink and ensures that the Corporation has the opportunity to benefit from all available talent. The promotion of a diverse Board makes prudent business sense and makes for better corporate governance.

The Corporation seeks to maintain a Board comprised of talented and dedicated Directors with a diverse mix of expertise, experience, skills and backgrounds. The skills and backgrounds collectively represented on the Board should reflect the diverse nature of the business environment in which the Corporation operates. For purposes of Board composition, diversity includes, but is not limited to, business experience, geography, age, gender, and ethnicity and aboriginal status. In particular, the Board should include an appropriate number of women Directors but no specific target number or percentage of women Directors has been set.

The Corporation is committed to a merit based system for Board composition within a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. When assessing Board composition or identifying suitable candidates for appointment or re-election to the Board, the Corporation will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board.

The Corporation will periodically assess the expertise, experience, skills and backgrounds of its Directors in light of the needs of the Board, including the extent to which the current composition of the Board reflects a diverse mix of knowledge, experience, skills and backgrounds, including an appropriate number of women Directors.

Any search firm engaged to assist the Board or a committee of the Board in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates generally, and multiple women candidates in particular.

Annually, the Board or a committee of the Board will review its Board Diversity Policy and assess its effectiveness in promoting a diverse Board which includes an appropriate number of women Directors.

The Board is also receptive to increasing the number of women in executive officer positions with the Corporation, taking into account the particular skills, background, experience and knowledge required for the particular executive officer position. When the Board and members of management conduct searches for potential new executive officers, they always attempt to review a diverse range of candidates, including women candidates and consider the representation of women in executive officer positions with the Corporation. However, at this time, the Board has not set a specific target as to the number of women in executive officer positions as promotions and new hires to executive officer positions are based solely on merit and achievements within the Corporation for promotions or achievements external to the Corporation for new hires. In addition, the Board assesses executive officer candidates on a case by case basis and does not believe that strict adherence to a target ultimately results in the best executive officers being hired.

Currently, one of the nine Directors is a woman, representing 11% of the Board. With the nomination of two additional women Directors, if elected, three of the eleven directors of the Corporation (or 27%) will be women. Currently, three of the eight executive officers of the Corporation are women, representing 37.5% of the executive officers of the Corporation, including the President of the Corporation and the Chief Financial Officer of the Corporation. If Ms. Craik and Ms. Sonberg are elected, the Board considers the level of diversity, gender and otherwise, on the Board and in senior management to be acceptable.

### **Nomination of Directors**

The Governance Committee is responsible for the nomination of Directors. The Governance Committee consists solely of Independent Directors. The Governance Committee is responsible for, among other things, reviewing the size and composition of the Board and recommending candidates for election to the Board. Each year, the Governance Committee carefully examines the composition of the Board, including issues relating to its size, and balances factors such as age, geographical, professional and industry representation. To assist in this process, the Governance Committee maintains a matrix of the major competencies and expertise contributed by each Director to the Board's needs. If the Governance Committee concludes that the Board would benefit from a new Director, the Governance Committee will endeavor to find an appropriate candidate for nomination.

New Directors may be proposed by the Governance Committee following a search to identify appropriate candidates. If the Governance Committee determines that a proposed Director is worthy to become a Director, then the decision as to whether or not to appoint such a Director is taken to the Board as a whole.

### **Orientation and Continuing Education**

The Board and management of the Corporation have established an informal orientation and education program for new Directors and new committee members regarding the role of the Board, its committees as well as the nature and operation of the

Corporation's business. New Directors are provided with sufficient information to enable them to become familiar with the Corporation, its issues, business and operations, including meetings with the Chair of the Board, Chair of the Governance Committee and senior management. Care is taken to ensure that new Directors understand the roles and responsibilities of the Board and its committees, as well as the commitment level that the Corporation expects of the Directors.

The Governance Committee is also charged with ensuring that continuing education opportunities are available to all Directors as appropriate. Each year, Directors are surveyed to identify their priority topics and the Governance Committee works with management to incorporate these into its planning for the following year.

Presentations to the whole Board are made throughout the year which are outside the regular Board meetings. Presentations in the past year to the Board included: in-depth analysis of acquisition targets; in-depth SWOT (strengths, weaknesses, opportunities and threats) analysis, including industry updates, for certain existing operations of the Corporation; investor relations experts from the capital markets industry; and analysis of in-depth growth and expansion with available capital by the Corporation. The Board occasionally schedules site visits where some or all of the Directors will visit the operation of a subsidiary. Annually at least one site visit is scheduled for the entire Board; however, in 2017 the scheduled visit to northern sites was cancelled due to inclement weather. Certain other sites were visited by individual directors on an ad hoc basis.

The Corporation is a member of the ICD and all Directors have access to the educational programs and regular updates on current governance issues provided by this organization. Several directors participated in ICD and external advisors' webinars and seminars on topics such as executive compensation, cybersecurity, sustainable development, and international financial reporting standards updates. The CEO completed the Directors Education Program offered by the ICD and received his ICD.D designation during 2017.

### **Board, Committee and Director Performance Reviews**

Annually the Governance Committee conducts a review of the effectiveness of the Board and committees, which is outlined more fully below. This process includes a peer review for each Director, who meets with the Chairs of the Board and the Governance Committee to discuss the results. For 2017, this review was conducted in the fall. The individual meetings occurred in December 2017. The Governance Committee report was presented at the February, 2018 Board meeting.

### **Compensation**

For a description of the Compensation Committee and its duties and activities, see "*Executive Compensation – Compensation Discussion and Analysis*".

### **Director Share Ownership Policy**

Many Canadian public corporations have adopted mandatory minimum share ownership requirements for board members. It is important to the Corporation that the Directors are seen to have "aligned" their personal interests with the Shareholders by owning Shares and/or Deferred Shares. The Corporation adopted a Director Share Ownership Policy effective November 12, 2012, which was amended in February, 2016 and has the following requirements:

- (a) The minimum shareholding requirement for all Directors is set at three times the amount of the annual retainer paid to Directors. The annual retainer is currently \$80,000 (cash and Deferred Shares) and therefore the required Share ownership is \$240,000 of Shares and/or Deferred Shares.
- (b) The minimum shareholding requirement for the Chair of the Board includes the additional retainer received as the Chair. The annual retainer for the Chair is currently \$174,500 (cash and Deferred Shares) and therefore the required Share ownership for the Chair of the Board is \$523,500 of Shares and/or Deferred Shares.
- (c) The additional retainers for committee chairs are not included in the calculation of the minimum Share ownership requirements.
- (d) Committee members who are not Directors are not included in the Director Share Ownership Policy.
- (e) In determining the value of Shares held by a Director under the Director Share Ownership Policy, the value of Deferred Shares is included. In addition, the value of any Shares held in entities in which the Director has a beneficial interest is included where such holdings are reported in the Annual Information Form of the Corporation.
- (f) A Director has three years from the date of appointment to the Board to meet the initial shareholding requirements. Similarly, should the retainer be increased, a Director will have three years to meet the increased shareholding requirement.
- (g) Once the required shareholding level is met by a Director, he or she is not required to increase his or her shareholdings due to any decline in the price of Shares.

### **Board Committees**

The Board fulfills its role directly and through committees to which it delegates certain responsibilities. The Board and its committees are focused on the continued improvement of governance principles and practices. Maintaining a leadership position in corporate governance requires constant review of these principles and practices to be sure they meet or exceed evolving best practices and regulatory guidance.

### **Governance Committee**

The Governance Committee of the Corporation is responsible for developing on behalf of the Corporation, its corporate governance principles to foster a healthy governance culture at the Corporation and its subsidiaries. The Governance Committee is comprised of Serena Kraayeveld (Chair), Donald Streuber and Gary Filmon, and all are Independent Directors.

The Governance Committee's key charter responsibilities include:

- the development of, and compliance with, corporate governance policies and procedures;
- recommending candidates for election to the Board and its committees;
- assessing the management, development and effective performance of the Board, its committees, and its mandate and charter, and orientation, education and development of members of the Board; and
- assisting the Corporation in ensuring that new Directors receive proper education and orientation about the Corporation and its subsidiaries, and that on an ongoing basis, all Directors receive continuing education, including specific education for the members of the various committees of the Board, if required.

The Governance Committee believes that it has fulfilled its responsibilities in the most recently completed financial year in the best interests of the Shareholders. In carrying out these responsibilities, the Governance Committee focused on the following initiatives to further improve the Corporation's governance processes and practices:

- **Board Composition/Nominations:** Each year, the Governance Committee carefully examines the composition of the Board, including issues relating to its size, expertise and capabilities and considers factors such as age, geographic, professional, and industry representation. A competency/skills matrix is developed which outlines areas of expertise and experience of each Director. The Governance Committee develops a list of potential candidates, generated through individual referrals and accessing the referral resources of organizations such as the ICD, who possess the skills and experience required to meet the Corporation's business needs and further the objectives of the Board Diversity Policy outlined above.
- **Improving Board and Committee Processes:** Each member of the Board and/or its committees assesses the adequacy and timeliness of information provided to the Board or committee, the quality of communication between the members and management of the Corporation and the strategic direction and processes of the Board or committee. A summary report is provided by the Governance Committee to the Board as a whole.
- **Performance of the Board, Committees and Directors:** The Chair of the Board and the Chair of the Governance Committee meet with each Director to discuss his or her views about the effectiveness of the Board and its committees and contributions of individual Directors. Questionnaires are circulated to each Director and the results are compiled which relate to the Board, its committees and each individual Director's performance (i.e. peer review). The compiled results are used as a basis for discussion in the meetings between each Director and the Chair of the Board and the Chair of the Governance Committee.

The Board and its committees continually evaluate and improve the corporate governance policies and procedures of the Corporation.

### **Audit Committee**

For a discussion of the Audit Committee please see the Annual Information Form of the Corporation dated March 29, 2018 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and will be provided free of charge upon request by any securityholder of the Corporation.

### **Compensation Committee**

For a description of the Compensation Committee, see "*Executive Compensation – Compensation Discussion and Analysis*".

### **Disclosure and Competition Committee**

The Disclosure and Competition Committee is currently comprised of: Michael Pyle, Duncan Jessiman and Adam Terwin (Chief Corporate Development Officer of the Corporation, not a Director). The composition of the Disclosure and Competition Committee is determined on an annual basis by the CEO of the Corporation. Mr. Terwin attended four of four meetings of the Disclosure and Competition Committee in 2017.

The Corporation has adopted a Disclosure and Competition Policy designed to ensure:

- (a) timely, accurate and balanced public dissemination of material information about the Corporation and its subsidiaries in accordance with all applicable legal, regulatory and stock exchange requirements;
- (b) protection of the Corporation's confidential information;
- (c) that all personnel of the Corporation and its subsidiaries are aware of the legal requirements to comply with competition law; and

- (d) that the Corporation and each of its subsidiaries are in compliance with the Disclosure and Competition Policy.

The purpose of the Disclosure and Competition Committee is to establish controls and procedures to ensure that the Disclosure and Competition Policy of the Corporation is being followed throughout the organization. The Disclosure and Competition Committee meets as frequently as circumstances require, and as the members deem necessary or appropriate, to carry out its responsibilities listed below:

- assist in the design, establishment, maintenance, review and evaluation of the effectiveness of disclosure and competition controls and procedures to ensure that material information is made known to the Disclosure and Competition Committee and is able to be provided, processed, summarized and reported to the appropriate securities regulatory authority on a timely basis;
- consider materiality of information received via the Corporation's disclosure and competition controls and procedures to determine the Corporation's disclosure and competition obligations on a timely basis;
- assist in the preparation of each periodic report and earnings release (including management's discussion and analysis) of the Corporation and evaluate the clarity, accuracy and compliance of the information in such report or earnings release;
- review with the assistance of counsel (a) any instances of fraud that involve management or other employees who have a significant role in the Corporation's disclosure and competition controls and procedures or internal controls that come to the attention of the members of the Disclosure and Competition Committee while carrying out their responsibilities and (b) any significant deficiencies in the design or operation of the Corporation's disclosure and competition controls and procedures and internal controls that could adversely affect the Corporation's ability to record, process, summarize and report financial and other material information to the appropriate securities regulatory authority; and
- consider any such other matters, and take any such other actions, in relation to the Corporation's disclosure and competition controls and procedures, as the Disclosure and Competition Committee may, in its discretion, determine to be advisable to ensure that information required to be disclosed under the Disclosure and Competition Policy and by law is recorded, processed, summarized and reported on a timely basis.

The Disclosure and Competition Committee meets on a quarterly basis with the responsible person in each of its subsidiaries to review matters pursuant to the Corporation's disclosure and competition controls and procedures.

#### ***Aerospace & Aviation Sector Advisory Committee***

The purpose of the Aerospace & Aviation Sector Advisory Committee is to act as a board of advisors to the operating entities in the aerospace & aviation sector of the Corporation. The Aerospace & Aviation Sector Advisory Committee consists of Donald Streuber (Chair), Michael Pyle, Duncan Jessiman, Brad Bennett, Serena Kraayeveld and Polly Craik (non-Director). In order to provide additional experience to the Aerospace & Aviation Sector Advisory Committee, one non-Director individual, namely Polly Craik, has been appointed to the Aerospace & Aviation Sector Advisory Committee. Ms. Craik was appointed on February 1, 2015. Ms. Craik attended four of four meetings of the Aerospace & Aviation Sector Advisory Committee in 2017. Another non-Director, Alex Ouskan, was also part of the Aerospace & Aviation Sector Advisory Committee in 2017, but Mr. Ouskan moved to a management position with the Corporation during the year. Mr. Ouskan had served as a member of this committee since being appointed in November 2012.

The members of the Aerospace & Aviation Sector Advisory Committee shall:

1. demonstrate skills and experience that are complementary to the Aerospace & Aviation Sector Advisory Committee's charter and helpful with the current activities and strategic direction of the management of the Aerospace & Aviation subsidiaries of the Corporation; utilize external relationships and resources in making a contribution and adding value to the management of the aerospace & aviation subsidiaries; effectively apply their knowledge, experience and expertise to issues confronting the aviation subsidiaries; and serve as a helpful resource to the management of the aerospace & aviation subsidiaries, where necessary and appropriate; and
2. maintain and demonstrate a comprehensive understanding of the strategic direction and annual plans of the management of the aerospace & aviation subsidiaries, including an understanding of the aerospace & aviation subsidiaries' principal risks; contribute and add value to discussions regarding the aerospace & aviation subsidiaries' strategic direction; participate in monitoring and evaluating the executive management's success in achieving established goals set out in the aerospace & aviation subsidiaries' strategic and annual plans; maintain and demonstrate a strong understanding of the aerospace & aviation subsidiaries' business, services/products, markets and operations; and maintain and demonstrate knowledge of important industry trends and the competitive environment.

Throughout the year the Aerospace & Aviation Sector Advisory Committee has met and discussed with management its thoughts relating to the various operations of the Corporation's Aerospace & Aviation sector companies, including various organic growth opportunities such as the investments made into Regional One, Inc.'s aircraft portfolio and the development by PAL Aerospace Ltd. of its Force Multiplier Demonstrator aircraft. This committee was also kept informed on the progress of the fixed wing search and rescue aircraft replacement program contract by the Government of Canada that was awarded to the C295 team, comprised of PAL Aerospace Ltd. and Airbus Defense and Space. Subsequent to 2017, this committee was involved in discussions surrounding the acquisition and integration of CANLink Global Inc. (Moncton Flight College) that the Corporation acquired in February 2018.

### **Manufacturing Sector Advisory Committee**

The purpose of the Manufacturing Sector Advisory Committee is to act as a board of advisors to the operating entities in the manufacturing sector of the Corporation. The Manufacturing Sector Advisory Committee consists of Edward Warkentin (Chair), Michael Pyle, Duncan Jessiman, Gary Filmon, Gary Buckley, Brad Bennett, Allan Davis, Ray Moher (non-Director) and William Baines (non-Director). In order to provide additional experience to the Manufacturing Sector Advisory Committee, two non-Director individuals, Ray Moher and William Baines, have been appointed to the Manufacturing Sector Advisory Committee. Mr. Moher was appointed to the Manufacturing Sector Advisory Committee in 2008 and Mr. Baines was appointed on February 1, 2015. Mr. Moher is the President of WBM GP Inc., a wholly-owned subsidiary of the Corporation, and the general partner of Water Blast Manufacturing LP, a wholly-owned subsidiary of the Corporation. Mr. Moher attended four of four meetings of the Manufacturing Sector Advisory Committee in 2017. Mr. Baines attended four of four meetings of the Manufacturing Sector Advisory Committee in 2017.

The members of the Manufacturing Sector Advisory Committee shall:

1. demonstrate skills and experience that are complementary to the Manufacturing Sector Advisory Committee's charter and helpful with the current activities and strategic direction of the management of the manufacturing subsidiaries; utilize external relationships and resources in making a contribution and adding value to the management of the manufacturing subsidiaries; effectively apply their knowledge, experience and expertise to issues confronting the manufacturing subsidiaries; and serve as a helpful resource to the management of the manufacturing subsidiaries, where necessary and appropriate; and
2. maintain and demonstrate a comprehensive understanding of the strategic direction and annual plans of the management of the manufacturing subsidiaries, including an understanding of the manufacturing subsidiaries' principal risks; contribute and add value to discussions regarding the manufacturing subsidiaries' strategic direction; participate in monitoring and evaluating the executive management's success in achieving established goals set out in the manufacturing subsidiaries' strategic and annual plans; maintain and demonstrate a strong understanding of the manufacturing subsidiaries' business, services/products, markets and operations; and maintain and demonstrate knowledge of important industry trends and the competitive environment.

Throughout the year the Manufacturing Sector Advisory Committee has met and discussed with management its thoughts relating to the various operations of the Corporation's manufacturing sector companies. During the year, the Corporation acquired the assets of Quest Window Systems Inc. which is a significant addition to the Corporation's manufacturing sector. The Manufacturing Sector Advisory Committee was involved in discussions surrounding the acquisition and integration of Quest Window Systems Inc. This committee was also involved in the decision during the year to make an investment in Stainless Fabrication Inc. to add equipment capacity to its shop operations.

### **Assessments**

The Board, the committees thereof and the individual Directors are assessed regularly as described above under "*Corporate Governance - Board Committees – Governance Committee*". Reviews are conducted annually and include both surveys and individual meetings.

## **EXECUTIVE COMPENSATION**

### **Defined Terms**

In this section entitled "Executive Compensation", the following capitalized terms have the meanings ascribed to them below:

"**Named Executive Officer**" means the following individuals:

- (a) each Chief Executive Officer ("CEO") of the Corporation (or person acting in a similar capacity) for any part of the most recently completed financial year of the Corporation;
- (b) each Chief Financial Officer ("CFO") of the Corporation (or person acting in a similar capacity) for any part of the most recently completed financial year of the Corporation;
- (c) each of the three most highly compensated executive officers of the Corporation, including any of its subsidiaries, other than the CEO and CFO, at the end of the most recently completed financial year of the Corporation whose total compensation was, individually, more than \$150,000; and
- (d) any additional individual who would be a Named Executive Officer under (c) but for the fact that the individual was not serving as an executive officer of the Corporation or any of its subsidiaries, nor acting in a similar capacity, as at the end of the most recently completed financial year.

During the most recently completed financial year, the Corporation had five Named Executive Officers: (i) Michael Pyle, the Corporation's CEO; (ii) Tamara Schock, the Corporation's CFO; (iii) Carmele Peter, the Corporation's President; (iv) Doron Marom, CEO of Regional One, Inc., a wholly-owned subsidiary of the Corporation; and (v) Brian Chafe, CEO of Provincial Aerospace Ltd., a wholly-owned subsidiary of the Corporation.

**“Option-Based Award”** means an award under an equity incentive plan of options, including, for greater certainty, Share options, Share appreciation rights, and similar instruments that have option-like features.

**“Share-Based Award”** means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, Shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, share equivalent units, and stock.

### **Compensation Discussion and Analysis**

The philosophy of the Board is that if the Corporation is successful, the employees and management of the Corporation and its subsidiaries be rewarded through cash bonuses, long-term variable compensation or combinations of any or all of the foregoing. The goal of the Compensation Committee of the Corporation in making compensation recommendations is to recognize and reward individual performance as well as to provide a fair and competitive industry level compensation, taking into consideration the individual's experience and performance and the financial performance of the Corporation.

The Compensation Committee also periodically independently retains external consultants to review compensation matters. The Compensation Committee has reviewed industry compensation information provided by consultants and compares its level of overall compensation with those of comparably-sized entities. Comparable executive compensation comes from executive management surveys which are chosen based on similarity to the Corporation. Comparable positions are identified based on publicly available information on such entities. A summary of this information is provided to the Compensation Committee to assist in approving the Corporation's overall compensation policy and the compensation to be paid, particularly to senior management.

The Compensation Committee views total compensation as a linked strategy towards achieving overall performance targets and has designed a total compensation package of short-term and long-term compensation with fixed and variable compensation components. In 2017, the compensation program for senior management of the Corporation consisted of annual salary, cash bonuses, indirect compensation, and participation in the Deferred Share Plan or the ESPP, but not both.

The combination of short-term and long-term incentive compensation structures are designed by the Compensation Committee, along with individual-based evaluations of Named Executive Officers, to consider the exposure associated with any individual taking inappropriate or excessive risks that could have a material adverse effect on the Corporation. As a result, if certain unreasonable and unauthorized risks were identified then the Compensation Committee and the Board would penalize the individual(s) accordingly. The goals identified, specifically for the CEO, are designed to align with the interests of the Shareholders. It should be noted that non-Independent Directors, including Mr. Pyle and Mr. Jessiman, do not vote and are excused from Board and committee meetings with respect to compensation matters affecting them.

### ***Modifications to Compensation Programs and Policies in 2018***

During the third quarter of 2017, the Compensation Committee engaged Hugessen Consulting (“Hugessen”) to assist with the evaluation and development of updated compensation programs and policies for the Corporation, to be applied in 2018 going forward. The modifications to the Corporation's long-term incentive structure, governance policies and CEO's employment contract are intended to modernize practices to align with compensation governance best practices. Hugessen does not provide any services to the Corporation other than compensation advisory services.

Outlined below are the modifications / additions to compensation programs and policies implemented in 2018:

- Adopted the RSU Plan to replace the Deferred Share Plan as the Corporation's primary long-term incentive instrument. RSUs will provide increased liquidity to participants, while Deferred Shares will continue to be used to meet share ownership guidelines. Long-term incentive grants of RSUs will continue to be sized in reference to performance against annual corporate objectives as outlined in “*CEO Compensation*” below;
- The Deferred Share Plan will remain in place and Deferred Shares will continue to be granted to executives at rate of 50% of all long-term incentive awards until Share ownership guidelines are met;
- Increased Share Ownership Guidelines for the CEO from three times base salary to five times base salary, and for other specific executives from one and a half times base salary to two times base salary (described below);
- Introduced a mandatory CEO Post-Retirement Holding Guideline of one times base salary in Shares or Deferred Shares for a period of one year following departure from the Corporation (described below);
- Introduced an Executive Clawback Policy in the RSU Plan;
- Reduced CEO cash severance from 30 months base salary plus two and a half times target short-term incentive payment to 24 months base salary and two times target short-term incentive payment; and
- Amended the employment agreement of the CEO to include a “double-trigger” for termination following a change of control of the Corporation. This provision provides that the employment of the CEO may only be deemed to be terminated at the option of the CEO following a change of control of the Corporation if there is also “good reason” for such termination. “Good reason” is defined in the employment agreement of the CEO as the occurrence of any of the following (unless consented to by the CEO) within 12 months following a change of control of the Corporation: (i) a material breach of the CEO's employment agreement by the Corporation; (ii) the Corporation requiring the CEO to relocate his principal residence; (iii) a material change in the CEO's duties or a material diminution in his responsibility or authority; or (iv) a diminution in the CEO's salary.

## **Components of Compensation**

### **Annual Salary**

Annual salary is intended to provide a competitive rate of compensation and recognize the skills, competencies and level of responsibility of senior management. Generally, the Compensation Committee targets base salaries at levels approximating those of individuals holding similar positions in public issuers of comparable size and complexity (as outlined above) and hopes to achieve targeted total compensation levels through other fixed and variable compensation components. The base salaries are reviewed annually.

### **Incentive Compensation**

The Corporation utilizes short-term and long-term incentive programs to compensate its employees and so as to align their interests with those of Shareholders. Incentives are broken down between long-term and short-term to reward senior management for working to maximize both the immediate and long-term value of the Shares. All incentive compensation is at risk for any executive of the Corporation.

Short-term incentive plans are paid through a cash bonus program. Long-term incentives utilize the Deferred Share Plan and the ESPP. The Named Executive Officers of the Corporation did not participate in the ESPP because all were awarded incentives in the Deferred Share Plan in 2017 or in the case of Brian Chafe, Shares distributed to him as part of change of control provisions associated with the acquisition of Provincial Aerospace Ltd. in January 2015 (as described further below in the Compensation Summary section).

The Compensation Committee determines the amount payable to the CEO. The CEO determines the amount payable to the Named Executive Officers other than himself (the "Other Named Executives"). He uses similar criteria to those described below under "Short-Term Incentive Compensation" and "Long-Term Incentive Compensation", but adjusts the percentages allocated as he feels necessary to encourage and reward performance. The Compensation Committee approves in aggregate the compensation for the Other Named Executives.

### **Short-Term Incentive Compensation**

The short-term incentive compensation is paid through a cash bonus program and the incentive is paid out to specific other executives based on the financial performance of the Corporation, the achievement of certain personal short-term goals and other qualitative performances over the period. The Compensation Committee has defined short-term goals for the CEO of the Corporation and these are described further in the "CEO Compensation" discussion below.

The short-term compensation of specific other executives is based on a similar set of criteria to that of the CEO, but is weighted differently depending on the areas of responsibility of the particular executive. The quantitative portion of the program is based on the results of the Corporation and or the specific results of the area of operation for which the executive is responsible. The qualitative factors for each specific other executive is determined by the CEO, in consultation with the Chair of the Compensation Committee. Depending on the individual and his/her responsibility, certain areas of focus for the year are specified and are assessment criteria used to rate the performance of each specific other executive.

The short-term incentive for any executive is at risk and could be nil in any given period based on the results of the Corporation and of his/her performance assessment.

### **Long-Term Incentive Compensation**

The Corporation utilizes the Deferred Share Plan to align the interests of specific other executives with those of its Shareholders. The Corporation has historically not utilized any security option programs. Under the Deferred Share Plan, specific other executives are granted Deferred Shares. The Deferred Shares are subject to escrow and vest evenly over a three year period unless the executive has reached the age of 55 and has been a Director, officer or employee of the Corporation or an affiliate of the Corporation for a period of not less than ten years, in which case the Deferred Shares vest immediately. The Deferred Share Plan entitles a participant to receive dividends in the form of additional Deferred Shares at the same rate as a Share until the Deferred Shares are redeemed in Shares. The Corporation currently pays a dividend on its Shares equal to \$0.1825 per month (\$2.19 annualized).

The size of the grant is determined annually in reference to a target grant level based on a performance against annual corporate objectives as described in "*CEO Compensation*" below. The dollar amount of each grant is divided by the market price of the Shares as determined at the date of the grant to arrive at the number of Deferred Shares granted. For the purposes of the Deferred Share Plan, the market price of the Shares is the average of the closing prices of the Shares (or if the Shares are not traded on a trading day, the average of the closing bid price and the closing ask price) on the TSX for the ten trading days immediately preceding such date.

The CEO of the Corporation is eligible to be granted Deferred Shares under the Deferred Share Plan as described further in the "*CEO Compensation*" discussion below. The Compensation Committee determines the amounts granted to the CEO. The amounts granted to other specific executives are determined by the CEO and are approved in aggregate by the Compensation Committee. In 2018, it is anticipated that RSUs will replace Deferred Shares as the primary long-term incentive granted to the CEO and other specific executives.

The long-term incentive for any executive is at risk and could be nil in any given period based on the results of the Corporation and of his/her performance assessment.

### ***Indirect Compensation***

The Corporation's indirect compensation for the Named Executive Officers includes benefits and other perquisites. The benefit programs include general group life, health and dental programs and are considered comparable with other companies. The other perquisites are individual based but include cost recovery for expenses such as car expenses and club memberships.

The Corporation does not have a pension plan.

### ***CEO Compensation***

The Compensation Committee makes recommendations to the Board as to remuneration for the CEO, Michael Pyle. The following describes the approach used by the Compensation Committee in determining the recommendation for 2017. As noted above, Hugessen was engaged in 2017 to provide compensation consulting services relating to the Corporation's compensation policies for the CEO and certain other executives.

The Compensation Committee has also used AON Hewitt Inc. ("AON") as a compensation consultant at various times over the last several years. In 2015, AON was engaged to provide advice to the Compensation Committee in regard to the forms of short-term and long-term compensation, the design of a long-term incentive plan and comparative market data for the CEO and Executive Vice-Chair. As a result of this consultation, the policy of the Compensation Committee with respect to compensation for the CEO is to set his base salary, total cash compensation (which includes short term-incentives) and total direct compensation (which includes long-term incentives) at approximately the median among public issuers of comparable size and complexity. The Compensation Committee considers among other things, data from industry compensation surveys and the overall performance of the Corporation, including revenues, earnings before interest, taxes and depreciation, free cash flow less maintenance capital expenditures, dividends per Share, successful acquisitions and the successful implementation of the Corporation's strategy. During 2017, the Compensation Committee used AON for an updated compensation assessment with comparative market data.

Mr. Pyle's salary and incentive plan awards are determined based on the overall success of the Corporation. His entitlement is based on a combination of corporate performance and team/individual performance. Corporate performance is measured relative to preset targets.

The incentive calculation for Mr. Pyle targets short-term and long-term levels as a percentage base of his annual salary. For 2017, the base salary for Mr. Pyle is \$648,000, the short-term target of his base salary was 70% and the long-term target of his base salary was 150%. The Compensation Committee assesses the performance of Mr. Pyle and gives a rating code for the various goals given to him for the year. A multiplier is assigned to each rating level and the Compensation Committee then applies the multiplier to each goal between zero and 150%. Overall, a structured formula is developed to quantify the incentive award for both short-term and long-term goals. The Compensation Committee has the discretion to adjust the quantified incentive award by +/- 25% if other external factors have impacted the performance of the Corporation and should be taken into consideration in determining the award given to the CEO.

The following table sets out the factors that Mr. Pyle was assessed on during the year and the percentage weighting of the factors which were considered by the Compensation Committee in determining Mr. Pyle's short-term award for the 2017 year. The last column of the table also highlights the rating given to Mr. Pyle for each factor.

Short-term Incentive Goals (70% target of base salary)					
Factor	Factor Description	Weighting	Minimum Multiplier	Maximum Multiplier	Rating Awarded
1)	Performance of the Corporation during the year associated with key financial metrics	50%	0%	150%	<i>Met Most of Objective (50%)</i>
2)	Implementation of strategic plans for the performance and quality of operations of certain airline subsidiaries	25%	0%	150%	<i>Exceeded Objective (125%)</i>
3)	Continued development of detailed succession planning for the Corporation including all subsidiaries	25%	0%	150%	<i>Met Objective (100%)</i>

The first factor is tied to the performance of the Corporation which was based on the free cash flows generated by the Corporation during the year after taking into consideration maintenance capital expenditures. The Corporation's results were negatively impacted by some subsidiary downturns being larger than anticipated and therefore this factor was not fully achieved by Mr. Pyle. With the growth of the regional airlines within the Corporation's portfolio, Mr. Pyle found opportunities to consolidate areas of the existing operations in order to improve profitability and quality of service of certain airline subsidiaries. The actions that took place and the benefits that were realized resulted in Mr. Pyle exceeding the second factor.

Succession planning continues to be a key issue for the Corporation and its portfolio of subsidiaries and Mr. Pyle further developed and oversaw the process. As a result of the process in place, Mr. Pyle met the third factor.

Based on the ratings awarded for Mr. Pyle's performance against these factors, the short-term incentive pay overall was 81.25% of the target (or \$368,550). In addition, the Compensation Committee provided Mr. Pyle a discretionary bonus of \$50,000 associated with Mr. Pyle's management of unexpected challenges with regards to investor relations activities on behalf of the Corporation in 2017. The overall short-term incentive bonus for Mr. Pyle was \$418,550 for 2017.

The following table sets out the factors that Mr. Pyle was assessed on during the year and the percentage weighting of the factors which were considered by the Compensation Committee in determining the CEO's long-term award for the 2017 year. The last column of the table also highlights the rating given to Mr. Pyle for each factor.

Long-term Incentive Goals (150% target of base salary)					
Factor	Factor Description	Weighting	Minimum Multiplier	Maximum Multiplier	Rating Awarded
1)	Investor relations	25%	0%	130%	<i>Outstanding Achievement (130%)</i>
2)	Evaluation and development of current compensation policies with the Compensation Committee	20%	0%	130%	<i>Met Objective (100%)</i>
3)	Development and growth of head-office team to facilitate further growth	15%	0%	130%	<i>Exceeded Objective (120%)</i>
4)	Continued development of the overall strategic plan for the Corporation	40%	0%	130%	<i>Met Objective (100%)</i>

Based on the ratings awarded above by the Compensation Committee for Mr. Pyle's outstanding achievement for investor relations and capital markets performance for these factors, the long-term incentive bonus overall was 110.5% of the target (or \$1,074,060).

### Share-Based Awards

The Corporation's long-term incentive compensation includes the Deferred Share Plan where specific other executives are granted Deferred Shares. The Compensation Committee determines the amounts granted to the CEO. The amounts granted to specific other executives are determined by the CEO and are approved in aggregate by the Compensation Committee. The size of the grant is determined based on a dollar amount which is divided by the market price of the Shares as determined at the date of the grant to arrive at the number of Deferred Shares granted. Prior grants are taken into account when making new grants. For the purposes of the Deferred Share Plan, the market price of the Shares is the average of the closing prices of the Shares (or if the Shares are not traded on a trading day, the average of the closing bid price and the closing ask price) on the TSX for the ten trading days immediately preceding such date. The Deferred Shares are subject to escrow and vest evenly over a three year period unless the executive has reached the age of 55 and has been a Director, officer or employee of the Corporation or an affiliate of the Corporation for a period of not less than ten years, in which case the Deferred Shares vest immediately. The Deferred Share Plan entitles a participant to receive dividends in the form of additional Deferred Shares at the same rate as a Share until the Deferred Shares are redeemed in Shares.

The Corporation does not issue any Option-Based Awards to its Named Executive Officers.

## **RSU Plan**

On April 4, 2018, the Board approved the RSU Plan. No awards have been granted by the Corporation pursuant to the RSU Plan to date. It is anticipated that the RSU Plan will replace the Deferred Share Plan as the primary long-term incentive compensation plan of the Corporation in 2018 and going forward. Set forth below is a summary of the RSU Plan.

### **Purpose**

The purpose of the RSU Plan is to provide selected employees (in this section, each a "Designated Officer") of the Corporation and its subsidiaries with compensation opportunities which will enhance the Corporation's ability to retain key personnel. Pursuant to the RSU Plan, Designated Officers shall receive annual awards of RSUs as determined by the Board. The RSU Plan is administered by the Board but it may delegate its administrative responsibilities to the Compensation Committee. The Board retains full discretion over the RSU Plan and all awards and payouts under the RSU Plan.

### **Grant of Awards**

At the discretion of the Compensation Committee, Designated Officers shall be eligible for an annual grant of RSUs. For Designated Officers that are already employed by the Corporation or a subsidiary, it is anticipated that the grant of RSUs will take place in the first quarter of each year. The annual grant will be based on an assessment of the performance of the particular Designated Officer in the previous fiscal year against certain pre-determined objectives and a target RSU Plan award amount. The target RSU Plan award levels will be set in the context of the particular Designated Officer's total direct compensation, and will represent a percentage of his or her base salary. The number of RSUs granted will be calculated by dividing the grant value of the award by the average closing Share price on the ten business days leading up to and including the award date. Grants of RSUs to newly hired Designated Officers may take place at any time during the year.

Following an award of an RSU, a notional account will be set up for each Designated Officer which will keep track of the number of RSUs held by a particular Designated Officer. At the end of each month, the Corporation shall determine whether any dividend has been paid on Shares during such month and, if so, the rate thereof per Share (expressed as a percentage based on the closing Share price on the Toronto Stock Exchange on the record date) (in this section, the "Dividend Rate"). Within ten business days following the applicable month end, the Corporation shall credit each account with an additional number of RSUs equal to the number of RSUs (including fractional RSUs) in the respective accounts on the record date for such dividend multiplied by the Dividend Rate.

### **Vesting**

The RSUs awarded pursuant to the RSU Plan, including RSUs issued pursuant to dividends paid on the Shares, shall vest on such date as shall be determined by the following:

- (a) Awards made to Designated Officers based on services provided to the Corporation or a subsidiary during the previous fiscal year of the Corporation shall vest on December 31 of the year that is two years following the applicable award date unless an earlier vesting date is specified by the Board; and
- (b) Awards made to newly hired Designated Officers or awards made to Designated Officers that are unrelated to prior services provided by such Designated Officer shall vest on the date that is three years from the award date unless an earlier vesting date is specified by the Board.

Except with respect to awards made to Designated Officers in the United States, the Board shall retain the discretion to accelerate any vesting date.

### **Other Vesting Rules**

- (a) *Termination Without Cause:* In the event that a Designated Officer is terminated without cause, such Designated Officer's unvested RSUs, if any, shall immediately be deemed to have vested on the date of such Designated Officer's termination.
- (b) *Termination With Cause or Resignation:* A Designated Officer whose employment is terminated with cause or who resigns from their position shall forfeit all unvested RSUs.
- (c) *Death:* In the event of the death of a Designated Officer, such Designated Officer's unvested RSUs, if any, shall immediately be deemed to have vested on the date of such Designated Officer's death.
- (d) *Disability:* In the event of the total disability of a Designated Officer, such Designated Officer's unvested RSUs shall immediately be deemed to have vested on the date that such Designated Officer has been determined to be totally disabled.
- (e) *Retirement:* In the event of the Retirement of a Designated Officer, such Designated Officer's unvested RSUs shall continue to vest until the applicable vesting date and be redeemed in accordance with the original vesting schedule, provided that: (a) the retiring Designated Officer provides six months' advance notice of such Designated Officer Retirement to the Corporation; (b) the retiring Designated Officer complies with such post-Retirement employment

restrictions in favour of the Corporation and its subsidiaries as the Designated Officer shall have previously agreed to or that shall be set forth in any rules, policies or procedures as may be implemented by the Board, acting reasonably; and (c) the retiring Designated Officer does not receive any cash severance from the Corporation or any subsidiary upon Retirement. In the event that the retiring Designated Officer does not comply with any of the foregoing requirements within 30 days of being informed in writing of such non-compliance by the Board, the retiring Designated Officer shall be deemed to have resigned. For the purposes of this section, "Retirement" means: (a) the cessation of the employment of a Designated Officer with the Corporation or a subsidiary which is deemed to be a retirement by the Board; or (b) a Designated Officer achieving the age of 55 years and having completed a minimum of five years of service with the Corporation or a subsidiary.

- (f) *Following Change of Control:* If, within six months following a Change of Control (as defined in the RSU Plan), a Designated Officer is terminated without cause or resigns for Good Reason, such Designated Officer's unvested RSUs, if any, shall immediately be deemed to have vested on the date of such Designated Officer's termination or resignation. For the purposes of this section, "Good Reason" means, subject to the terms of any relevant employment or other agreement or unless expressly consented to in writing by the Designated Officer, grounds for a claim of constructive dismissal as determined at common law.

#### **Redemption**

Upon vesting as provided above, RSUs shall be automatically redeemed for an amount equal to the number of RSUs multiplied by the average closing trading price of the Shares on the Toronto Stock Exchange on the ten business days leading up to and including the vesting date.

#### **Claw Back**

Notwithstanding any other provisions in the RSU Plan or an agreement to the contrary, in the event that:

- (a) the Corporation is required to prepare an accounting restatement due to the material noncompliance of the Corporation with any financial reporting requirement;
- (b) the Designated Officer engaged in serious misconduct, fraud or gross negligence that caused, or partially caused, the need for the account restatement referenced above; and
- (c) an award or awards of RSUs granted to the Designated Officer would have been lower had the financial results of the Corporation been properly reported.

all as determined by the Board in its sole discretion, the Board may, as applicable and in its sole discretion:

- (a) cancel any unvested or vested but unpaid RSUs; and
- (b) recover from the Designated Officer any amounts paid as a result of the redemption of vested RSUs during the 24 months preceding the date on which the Corporation is required to prepare the accounting restatement which, in the view of the Board in its sole discretion, reflects benefits that were received by the Designated Officer as a result of the material non-compliance of the Corporation with financial reporting requirements that required the accounting restatement.

#### **Assignment**

RSUs granted pursuant to the RSU Plan are non-assignable and non-transferable, and are redeemable only by the Designated Officer or in the case of death or incapacity, by the Designated Officer's duly authorized legal representative or designated beneficiary, as applicable.

#### **Amendments and Termination**

The Board may, at any time or from time to time, suspend or terminate the RSU Plan in whole or in part and may amend it in such respects as the Board may deem appropriate, subject to applicable laws; provided, however, that:

- (a) no amendment, suspension or termination of the RSU Plan shall impair any of the rights or obligations under any RSU previously granted without the consent of the holder thereof;
- (b) notification of the amendment is sent to holders of outstanding RSUs previously issued if the amendment is applicable to such RSUs, and
- (c) in the event of RSU Plan termination, payments of the cash equivalent of any outstanding RSUs at the time of such termination shall be made.

## Compensation Governance and Compensation Committee

The purpose of the Compensation Committee is to assist the Board in fulfilling its responsibilities in relation to setting the compensation of Directors, the Chief Executive Officer and the officers that report directly to the Chief Executive Officer (the "Senior Executives") and overseeing the plans for:

- compensation, development and retention of employees;
- succession planning for the Chief Executive Officer and the Senior Executives; and
- general compensation and human resource policies and issues.

The Compensation Committee currently consists of Gary Buckley, Brad Bennett, Edward Warkentin and Allan Davis, all of whom are Independent Directors. The Compensation Committee members all bring experience from their own business operations in a variety of industries which are used along with professional consultation services obtained from outside professionals. Three of the Compensation Committee members have multiple years of experience on the Compensation Committee and all have an understanding of the objectives of the Compensation Committee and the direction of the Corporation as acting members of the Board.

The Corporation has adopted a charter for the Compensation Committee which sets out the composition of the Compensation Committee as well as its responsibilities, duties, principles and procedures.

Following review of data and discussion by members of the Compensation Committee, recommendations are made by the Compensation Committee to the Board for their consideration and approval. The Compensation Committee meets at least twice per year to fulfill its mandate. Non-Independent Directors, including Mr. Pyle and Mr. Jessiman, do not vote and are excused from Board and committee meetings with respect to compensation matters affecting them.

The Compensation Committee considers the time, commitment, risks and responsibilities of the Directors and senior management and takes into account the types of compensation and the amounts paid to the directors and senior management of comparable publicly traded Canadian issuers.

In accordance with its charter and in consultation with the CEO and Hugessen, the Compensation Committee undertook a number of key activities in 2017, including:

- Determined the recommended compensation for the CEO, the Executive Vice-Chair and the Board.
- Evaluation of the CEO.
- Reviewed the planned aggregate compensation of other members of the Corporation's senior management team outside of the Named Executive Officers.
- Completed the amendments to the Corporation's compensation policies using the consulting services of Hugessen as described above, including the adoption of the RSU Plan and various corporate governance changes, which will be applicable in 2018.

The Corporation will also be considering the adoption of an advisory say-on-pay vote in the future.

The Compensation Committee meets without management present at each of its meetings.

The Board considered the compensation decisions of the Compensation Committee for the 2017 period and it is satisfied with those decisions as being fair and reasonable given the performance of the Corporation.

## Succession Planning

The Corporation has a succession planning structure directed by the Chief Executive Officer and the Senior Executives, which goes down through the Corporation's head-office team and the senior members of management at each subsidiary. This is managed throughout the year but presented by the Chief Executive Officer and the Senior Executives to the Board annually as part of the Corporation's strategic planning sessions. This includes discussions around the strengths and areas for development of key succession candidates, progress of development over the last year and future development plans. The Board also reviews and discusses potential succession scenarios and assesses the potential successors. The process used by the Compensation Committee in relation to the management of succession planning for the Chief Executive Officer also includes a presentation to the Independent Directors annually at the Corporation's strategic planning sessions over the same topical areas but focused solely on the Chief Executive Officer position. The process includes not only a discussion of the management of executive talent but also a discussion of contingency and long-term succession plans for the Chief Executive Officer position.

## Management Share Ownership Policy

The following describes the requirements of the CEO and certain senior executives of the Corporation regarding mandatory minimum share ownership requirements. The Compensation Committee reviews the executives' actual shareholdings annually to measure compliance with the policy.

- **CEO** - must beneficially own, directly or indirectly, Shares and/or Deferred Shares with a value of five times his/her base salary. Based on Mr. Pyle's base salary, his minimum share ownership was \$3,240,000 and the value of Mr. Pyle's holdings is \$7,564,727 as described above in his director profile.

- **Other Specified Executives** - must own, directly or indirectly, Shares and/or Deferred Shares with a value of two times his/her base salary. For newly hired executives or internally promoted executives, individuals will have a period of time to reach the ownership requirements.

Commencing in 2018, executives are required to take a minimum of 50% of his or her annual long-term incentive award value as Deferred Shares until their Share ownership requirement is achieved.

#### **CEO Post-Retirement Shareholding Requirement**

The CEO of the Corporation is required to hold one times his base salary in Shares and/or Deferred Shares for a period of one year following his departure from the Corporation.

#### **Anti-Hedging Policy**

The CEO, along with all other employees of the Corporation, are required to follow the Corporation's Insider Trading Policy which prohibits speculation by insiders in the Corporation's securities. As a result, the CEO, along with all other employees of the Corporation, are prohibited from purchasing financial instruments that would be designed to hedge or offset a decrease in market value of equity securities of the Corporation granted as compensation or held, directly or indirectly. This includes all dealings in puts and calls, all short sales and all buying or selling on the market with the intention of quickly reselling or buying securities.

#### **Executive Compensation-Related Fees**

The table below sets forth all fees paid by the Corporation to consultants for compensation consulting services during the past two financial years of the Corporation.

Services Provided	AON Hewitt		Hugessen	
	2017	2016	2017	2016
Executive Compensation Related Fees	\$19,100	-	\$76,865	-
All Other Fees	-	-	-	-
Total	\$19,100	-	\$76,865	-

#### **Compensation Summary**

##### **Summary Compensation Table**

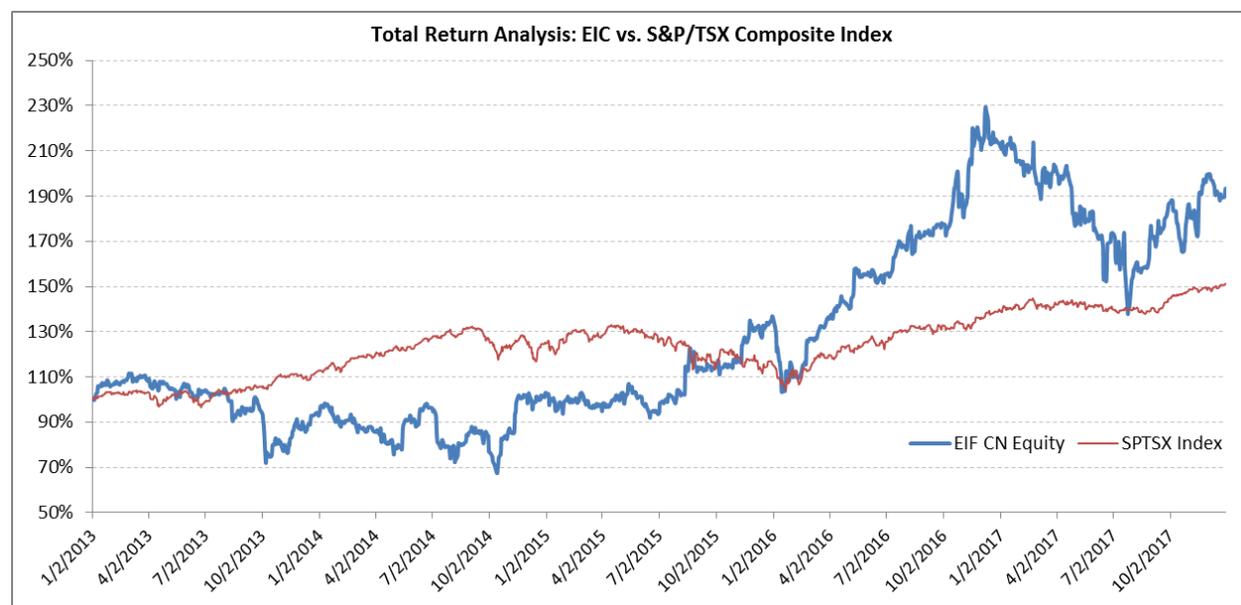
The following table is a summary of the compensation paid to the Named Executive Officers of the Corporation in respect of each of the financial years of the Corporation ended December 31, 2015, December 31, 2016 and December 31, 2017.

Name and principal position	Year	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Michael Pyle <sup>(2)</sup> CEO	2017	669,446	1,069,200	Nil	418,550	Nil	Nil	Nil	2,157,196
	2016	633,246	951,600	Nil	475,800	Nil	Nil	Nil	2,060,646
	2015	599,596	996,044	Nil	641,625	Nil	Nil	Nil	2,237,265
Tamara Schock <sup>(3)</sup> Current CFO	2017	506,870	238,750	Nil	170,188	Nil	Nil	Nil	915,808
	2016	488,916	225,000	Nil	168,750	Nil	Nil	Nil	882,666
	2015	70,775	50,000	Nil	50,000	Nil	Nil	Nil	170,775
Carmelee Peter President	2017	569,916	710,677	Nil	351,265	Nil	Nil	Nil	1,631,858
	2016	537,390	636,000	Nil	413,400	Nil	Nil	Nil	1,586,790
	2015	503,121	665,000	Nil	535,000	Nil	Nil	Nil	1,703,121
Doron Marom <sup>(4)</sup> CEO of Regional One, Inc.	2017	786,822	402,500	Nil	495,091	Nil	Nil	Nil	1,684,413
	2016	756,991	140,000	Nil	482,227	Nil	Nil	Nil	1,379,218
	2015	727,638	140,000	Nil	483,386	Nil	Nil	Nil	1,351,024
Brian Chafe <sup>(5)</sup> CEO of Provincial Aerospace Ltd.	2017	356,430	Nil	Nil	732,074	Nil	Nil	25,000	1,113,504
	2016	333,985	Nil	Nil	767,044	Nil	Nil	25,000	1,126,029
	2015	319,447	Nil	Nil	677,967	Nil	Nil	24,930	1,022,344

## Notes:

- (1) Share-Based Awards are issued pursuant to the Deferred Share Plan and are traditionally granted in the spring of the calendar year following the finalization of the applicable financial year's financial results.
- (2) Mr. Pyle's salary includes a base salary (2017 \$648,000), which used for his short term and long term incentive compensation calculations, and some additional salary components (2017 \$21,446).
- (3) Ms. Schock joined the Corporation as Chief Financial Officer on November 5, 2015.
- (4) Mr. Marom is compensated in US dollars and his compensation above is converted into Canadian dollars using an average foreign exchange rate for each applicable period for the table above (2017 – US\$1:\$1.2986).
- (5) The acquisition of Provincial Aerospace Ltd. by the Corporation in January 2015 triggered certain change of control provisions in the original employment agreement of Mr. Chafe with Provincial Aerospace Ltd. Mr. Chafe's employment agreement was amended at the closing of the acquisition. The amended terms resulted in a cash payment and issuance of Shares at the time of closing and also included the distribution of Shares on or about the anniversary of the closing for the next four years. The change of control payments to Mr. Chafe during 2017 (2<sup>nd</sup> anniversary) totaled \$460,000 and are excluded from the information in the table above as are the payments during 2016 and 2015 (\$460,000 each year).

## Performance Graph



As set forth in the above table, from January 1, 2013 to December 31, 2017, the total cumulative return on the Shares was 93.4%, compared to a return of 51.3% on the S&P/TSX Composite Total Return index. Of the current Named Executive Officers, only Mr. Pyle has been with the Corporation through this entire period. Over this same five year period, the total compensation of Mr. Pyle increased by 51.7%. Consolidated revenues and EBITDA for fiscal 2012 of the Corporation was \$800.6 million and \$94.5 million, respectively. Consolidated revenues and EBITDA for fiscal 2017 of the Corporation was \$1,012.9 million and \$248.7 million, respectively. Therefore an increase of 27% in consolidated revenues and an increase of 163% in consolidated EBITDA over this same five year period.

### Narrative Discussion

For a summary of the significant terms of the employment agreements between the Corporation and each of the Named Executive Officers, see "Termination and Change of Control Benefits" below.

### Incentive Plan Awards

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all Share-Based Awards held by the Named Executive Officers as at the end of the most recently completed financial year of the Corporation (December 31, 2017). The Corporation does not have any issued and outstanding Option-Based Awards.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of Shares that have not vested (#)	Market or payout value of Share-Based awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed (\$)
Michael Pyle	Nil	NA	NA	NA	66,764	2,379,461	4,694,898
Tamara Schock	Nil	NA	NA	NA	7,527	268,262	26,590
Carmelet Peter	Nil	NA	NA	NA	44,174	1,574,345	1,609,239
Doron Marom	Nil	NA	NA	NA	10,308	367,395	467,815
Brian Chafe	Nil	NA	NA	NA	Nil	Nil	Nil

The Share-Based Awards in the table above exclude grants to these individuals from the Corporation's Deferred Share Plan made in respect of 2017 as they were granted in the spring of 2018 following the finalization of fiscal 2017's financial results. These grants will be included in next year's amounts for this table. The value of the Share-Based Awards is based on each NEO's accumulated Deferred Shares as at December 29, 2017 and valued using the market price of the Shares on that date (\$35.64).

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth the value vested or earned under incentive plans during the most recently completed financial year of the Corporation (December 31, 2017) for each Named Executive Officer.

Name	Option-Based Awards – Value vested during the year (\$)	Share-Based Awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Michael Pyle	Nil	1,393,101	418,550
Tamara Schock	Nil	26,590	170,188
Carmelee Peter	Nil	846,412	351,265
Doron Marom	Nil	247,521	495,091
Brian Chafe	Nil	Nil	732,074

The value of the Share-Based Awards is valued using the market price of the Shares on December 29, 2017 (\$35.64).

*Narrative Discussion*

The outstanding Share-Based Awards referenced above were issued pursuant to the Deferred Share Plan. See “*Particulars of Matters to be Acted Upon – Approval of Amended Deferred Share Plan*”.

**Pension Plan Benefits**

The Corporation does not have a pension plan and, accordingly, no pension benefits were paid to the Named Executive Officers or Directors in the financial year ended December 31, 2017.

**Termination and Change of Control Benefits**

The Corporation is a party to employment agreements (the “Employment Agreements”) with each of the Named Executive Officers. The Employment Agreements provide for termination for just cause or in the event of permanent disability, and terminate automatically in the event of death.

The Employment Agreements also provide for termination by the Corporation upon the giving of notice and the payment of an amount equal to the sum of:

	Michael Pyle	Tamara Schock	Carmelee Peter	Doron Marom	Brian Chafe <sup>(1)</sup>
<b>Salary</b>	24 months	18 months	24 months	12 months	Highest annual employment income in previous five years
<b>Short-term Incentive</b>	2.0 times target set by the Board	1.5 times previous 3 year average	2.0 times target set by the CEO	Prior 2 year average prorated to termination date	
<b>Car allowance</b>	24 months	18 months	24 months	Nil	
<b>Benefits</b>	24 months	18 months	24 months	Nil	12 months
<b>Estimated Payment December 31, 2017</b>	\$2,246,680	\$947,547	\$1,717,992	\$1,276,037 <sup>(2)</sup>	\$1,113,504

Notes:

- (1) Mr. Chafe's employment agreement also includes reimbursement of certain costs of selling his residence and relocation costs incurred if terminated without cause or following a change of control.
- (2) Mr. Marom is compensated in US dollars and his estimated termination payment is converted into Canadian dollars using an average foreign exchange rate for fiscal 2017 (US\$1:\$1.2986).

For the Named Executive Officers, excluding Mr. Chafe, with change of control features in their Employment Agreements, a change of control refers to a scenario where either a person or group acquires more than 50% of the Corporation's voting stock or if the Corporation amalgamates or otherwise merges with another organization. For Mr. Chafe, as CEO of Provincial Aerospace Ltd., a change of control under his Employment Agreement refers to either the sale of a percentage of ownership by the entity within the Corporation's structure that owns Provincial Aerospace Ltd. resulting in it no longer having control or through the sale of all or substantially all of the assets of Provincial Aerospace Ltd. In the case of Mr. Pyle, Ms. Schock and Ms. Peter, they are only entitled to terminate their employment in the event of a change of control of the Corporation if there is also “good reason” as described in

"Executive Compensation – Compensation Discussion and Analysis – Modifications to Compensation Programs and Policies in 2018".

	Michael Pyle	Tamara Schock	Carmele Peter	Doron Marom	Brian Chafe <sup>(1)</sup>
Salary	24 months	18 months	24 months	Nil	2.0 times highest annual employment income in previous five years
Short-term Incentive	2.0 times target set by the Board	1.5 times previous 3 year average	2.0 times target set by the CEO	Nil	
Car allowance	24 months	18 months	24 months	Nil	
Benefits	24 months	18 months	24 months	Nil	24 months
Estimated Payment December 31, 2017	\$2,246,680	\$947,547	\$1,717,992	Nil	\$2,227,008
Time limitation to decide	NA	NA	NA	NA	Within 30 days

Note:

- (1) Mr. Chafe's Employment Agreement also includes reimbursement of certain costs of selling his residence and relocation costs incurred if terminated without cause or following a change of control.

In addition, each of the Employment Agreements contains standard non-competition clauses from the Named Executive Officers in favour of the Corporation. The non-competition clauses continue for a period of two years following the termination of the Employment Agreements for Mr. Pyle, Ms. Schock and Ms. Peter. In the case of Mr. Marom, his non-competition clause continues for one year following the termination of his Employment Agreement plus an extended period of time based on certain thresholds set out in the terms of the co-investment agreement between CRJ Capital Corp., a corporation controlled by Mr. Marom, and the Corporation. In the case of Mr. Chafe, his non-competition clause continues for two years when a change of control takes place and otherwise continues for one year following the termination of his Employment Agreement.

### CEO Compensation Look Back

The following look back chart shows all long-term incentive compensation with an annual breakdown showing the amount awarded in each year over the past five years and how the actual payout outcome compares with the intended compensation for the CEO. Over the last five years, the only long-term incentive compensation for the CEO is the granting of Deferred Shares under the Deferred Share Plan.

Year	Deferred Share Plan Award		December 29, 2017 Valuation			Total
	Grant Price	Grant Amount	Market Price	Vested	Unvested	
2016	\$39.28	\$951,600	\$35.64	Nil	\$909,315	\$909,315
2015	\$24.90	\$996,044	\$35.64	\$529,707	\$1,061,004	\$1,590,711
2014	\$22.51	\$641,669	\$35.64	\$815,833	\$409,141	\$1,224,974
2013	\$20.60	\$332,625	\$35.64	\$748,063	Nil	\$748,063
2012	\$28.02	\$595,815	\$35.64	\$1,063,031	Nil	\$1,063,031
Cumulative		\$3,517,753				\$5,536,094

The overall increase in the cumulative Deferred Share Plan awards when valued as at the end of the current period versus the original grant values is a result of two factors: (i) an increase in the market price of the Shares which is higher than the original grant price in all but one of the last five years; and (ii) the accumulation of dividends that are applied to the Deferred Shares.

### Director Compensation

This section refers to the compensation paid to the Directors and excludes any compensation relating to Michael Pyle (CEO) as he is a Named Executive Officer. For a summary of the compensation paid to Mr. Pyle, see "Executive Compensation – Compensation Summary".

### Director Compensation Table

The following table is a summary of the compensation paid to the Directors who are not also Named Executive Officers in respect of the most recently completed fiscal year of the Corporation. The compensation paid to Duncan Jessiman set forth below is paid to him in consideration of his services to the Corporation as a member of management (Executive Vice Chairman) not for his services as a Director. Jeffrey Olin did not stand for re-election as a Director at the Corporation's last annual general and special meeting of

shareholders held on May 10, 2017. As a result, Mr. Olin's compensation as a Director reflects only the part of the 2017 year when he was a Director.

Name	Fees earned (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Brad Bennett	85,500	40,000	Nil	Nil	Nil	Nil	125,500
Gary Buckley	95,000	40,000	Nil	Nil	Nil	Nil	135,000
Allan Davis	99,000	40,000	Nil	Nil	Nil	Nil	139,000
Gary Filmon	128,250	99,500	Nil	Nil	Nil	Nil	227,750
Duncan Jessiman	248,400	Nil	Nil	Nil	Nil	Nil	248,400
Serena Kraayeveld	107,750	40,000	Nil	Nil	Nil	Nil	147,750
Jeffrey Olin <sup>(2)</sup>	37,500	40,000	Nil	Nil	Nil	Nil	77,500
Donald Streuber	118,750	40,000	Nil	Nil	Nil	Nil	158,750
Edward Warkentin	90,250	40,000	Nil	Nil	Nil	Nil	130,250

Notes:

- (1) Share-Based Awards are issued in the year of service pursuant to the Deferred Share Plan for Directors as a portion of their retainer.
- (2) Mr. Olin served as a director from January 1, 2017 to May 10, 2017.

### ***Narrative Discussion***

The Compensation Committee is responsible for reviewing Director compensation and satisfying itself that it is competitive. The Board determines the form and amount of Director compensation based on the recommendation of the Compensation Committee following reviews of compensation in the marketplace.

The Independent Directors receive compensation which is intended to accomplish two goals: (i) to retain and attract qualified Directors; and (ii) to align the interests of Directors with the interests of Shareholders. None of Mr. Pyle or Mr. Jessiman, who are members of management, are or have been compensated for acting as a Director.

The current compensation paid for the services provided by the Directors, other than Mr. Pyle and Mr. Jessiman, is as follows:

	Cash (\$)	Deferred Shares (\$ value)
<b>Annual Retainer</b>		
Chair of the Board	75,000	99,500
Other Board members	40,000	40,000
Committee member retainer	5,000	-
Additional retainer for non-Audit Committee members' attendance at Audit Committee meetings	2,000	-
Chair of Audit Committee additional retainer	15,000	-
Chair of Compensation Committee additional retainer	10,000	-
Chair of Governance Committee additional retainer	10,000	-
Chair of other committee additional retainer	6,000	-
<b>Meeting Attendance Fees</b>		
In-town meeting per diem rate unless less than one hour	1,500	-
In-town meeting per diem rate when less than one hour	750	-
Out-of-town meeting per diem rate	3,000	-

The Corporation also reimburses the Directors for out-of-pocket expenses for attending meetings.

### ***Directors and Officers Liability Insurance***

Directors' and officers' liability insurance has been obtained for the Directors and officers of the Corporation and the directors and officers of its subsidiaries with a total limit of \$40,000,000 aggregate per policy year with two components. First, under this insurance coverage, the Corporation or its subsidiaries would be reimbursed for indemnity payments made on behalf of Directors or officers of the Corporation or directors or officers of its subsidiaries for up to \$25,000,000 subject to a deductible of \$25,000 per occurrence, which would be paid by the Corporation. Second, under this insurance coverage, there is up to \$15,000,000 for non-indemnifiable

losses made against the Directors or officers of the Corporation, not subject to a deductible. The total premium paid by the Corporation for directors' and officers' liability insurance during the financial year ended December 31, 2017 was \$115,871.

### Incentive Plan Awards

#### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all Share-Based Awards held by the Directors who are not also Named Executive Officers as at the end of the most recently completed financial year of the Corporation. The Corporation does not have any issued and outstanding Option-Based Awards.

Name	Option-Based Awards				Share-Based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of Shares that have not vested (#)	Market or payout value of Share-Based Awards that have not vested (\$)	Market or payout value of vested Share-Based Awards not paid out or distributed <sup>(1)</sup> (\$)
Brad Bennett	Nil	NA	NA	NA	Nil	Nil	345,950
Gary Buckley	Nil	NA	NA	NA	Nil	Nil	345,950
Allan Davis	Nil	NA	NA	NA	Nil	Nil	239,186
Gary Filmon	Nil	NA	NA	NA	Nil	Nil	750,992
Duncan Jessiman	Nil	NA	NA	NA	Nil	Nil	1,307,219
Serena Kraayeveld	Nil	NA	NA	NA	Nil	Nil	345,950
Jeffrey Olin <sup>(2)</sup>	Nil	NA	NA	NA	Nil	Nil	Nil
Donald Streuber	Nil	NA	NA	NA	Nil	Nil	345,950
Edward Warkentin	Nil	NA	NA	NA	Nil	Nil	345,950

Notes:

- (1) The value of the Share-Based Awards is based on each Director's accumulated Deferred Shares as at December 29, 2017 and valued using the market price of the Shares on that date (\$35.64).
- (2) Mr. Olin ceased to be a Director on May 10, 2017 and his Deferred Shares were all redeemed upon his departure from the Board.

#### Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value vested or earned under incentive plans during the most recently completed financial year of the Corporation for each Director who is not a Named Executive Officer.

Name	Option-Based Awards – Value vested during the year (\$)	Share-Based Awards – Value vested during the year <sup>(1)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Brad Bennett	Nil	56,263	Nil
Gary Buckley	Nil	56,263	Nil
Allan Davis	Nil	50,004	Nil
Gary Filmon	Nil	133,531	Nil
Duncan Jessiman	Nil	76,638	Nil
Serena Kraayeveld	Nil	56,263	Nil
Jeffrey Olin <sup>(2)</sup>	Nil	39,071	Nil
Donald Streuber	Nil	56,263	Nil
Edward Warkentin	Nil	56,263	Nil

Notes:

- (1) The value of the Share-Based Awards vested during the year includes the annual Deferred Share retainer grant to each Director as well as the additional Deferred Shares credited (in lieu of cash dividends) on the accumulated Deferred Share balance during the year. The Deferred Shares are valued using the market price of the Shares at December 29, 2017 (\$35.64).
- (2) Mr. Olin ceased to be a director on May 10, 2017 and he was issued his accumulated Deferred Shares during the year.

#### Narrative Discussion

The outstanding Share-Based Awards referenced above were issued pursuant to the Deferred Share Plan. See "Particulars of Matters to be Acted Upon – Approval of Amended Deferred Share Plan".

## SECURITIES AUTHORIZED UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Information

The Corporation has adopted the following equity compensation plans:

1. the ESPP; and
2. the Deferred Share Plan.

The table below summarizes the number of Shares underlying the ESPP and the Deferred Share Plan, the weighted-average price of such Shares and the number of Shares remaining available for future issuance under the ESPP and Deferred Share Plan as at December 31, 2017.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders <sup>(1)</sup>	656,198	\$35.64 <sup>(2)</sup>	512,800 <sup>(3)</sup>
Equity compensation plans not approved by securityholders	Nil	NA	NA
<b>Total</b>	<b>656,198</b>	<b>\$35.64</b>	<b>512,800</b>

Notes:

- (1) The only equity compensation plans approved by the Shareholders are the ESPP and the Deferred Share Plan.
- (2) Share price as at December 29, 2017.
- (3) The maximum number of Shares to be issued pursuant to the ESPP and the Deferred Share Plan is limited to an aggregate amount equal to 10% of the issued and outstanding Shares, from time to time.

Set forth below is a summary of the terms of the ESPP. For a summary of the Deferred Share Plan, see "*Particulars of Matters to be Acted Upon – Approval of Amended Deferred Share Plan*".

### ESPP

#### Purpose

The purpose of the ESPP is to encourage employees of the Corporation and its subsidiaries to become Shareholders. The ESPP is a broad based optional equity participation plan open to all permanent and contract employees who have been employed by the Corporation or one of its subsidiaries for at least six months, but with participation in the ESPP being entirely optional. The ESPP provides that persons holding greater than 5% of the issued and outstanding Shares and persons who are eligible to participate under the Deferred Share Plan (including all Directors) are not entitled to participate in the ESPP. The maximum number of Shares that may be issued to insiders of the Corporation, in any one year period, or that may be issuable to insiders of the Corporation at any time under all security based compensation plans, including the ESPP, shall not exceed 10% of the issued and outstanding Shares. Certain other restrictions and limitations are set out in the ESPP.

Employees may elect to annually contribute up to a maximum percentage of their annual gross salary (such percentage to be determined by the Directors, which has been set at 5%). Such funds are then used to acquire Shares from treasury (the "Original Shares") for the participant. Under the terms of the ESPP, if the participant retains the Original Shares for 18 months (the "Vesting Period"), the participant becomes entitled to receive from the Corporation or the relevant subsidiary an additional number of Shares equal to 33 1/3% of the Original Shares and the value equal to the dividends awarded to the additional Shares over the Vesting Period (the "Contributed Shares"), in addition to paying all fees and commissions (if any) on the purchase of the Contributed Shares in the ESPP. The Corporation currently pays a dividend on its Shares equal to \$0.1825 per month (\$2.19 annualized).

#### Operation of ESPP

Employees of the Corporation and its subsidiaries may be entitled to receive a loan to purchase the Original Shares pursuant to the ESPP. The loan, together with interest, must be repaid over a period of twelve months from the date of the loan by way of payroll deductions, provided that if the participant is terminated as an employee of the Corporation or a subsidiary, the loan and all interest must be repaid immediately or the Shares of the participant held pursuant to the ESPP shall be sold and the loan repaid.

The Original Shares acquired under the ESPP are issued from treasury and subject to approval for listing by the TSX. Contributions are held by the ESPP administrator and the Corporation only issues Shares under the ESPP once per year at the commencement of each year's new program. The acquisition price for the Original Shares is the price per Share equal to the weighted average trading price of the Shares on the TSX for the five trading days immediately preceding the acquisition date.

Shares acquired under the ESPP are retained in the ESPP. Participants may withdraw their Shares from their ESPP at any time prior to the end of the Vesting Period by terminating their participation in the ESPP, but such termination results in that participant not being entitled to receive the Contributed Shares from the Corporation at the end of the Vesting Period. In any event, all Shares purchased under the ESPP are subject to a four month hold period pursuant to applicable securities legislation.

In the event that a participant has terminated his or her employment with the Corporation or a subsidiary or has had his or her employment terminated by the Corporation or a subsidiary for any reason, the participant forfeits the right to receive all unvested Contributed Shares to be purchased with the Corporation's contribution.

As at the date of this Circular, the total number of Shares that may be reserved for issuance under any equity compensation plans approved by the Shareholders is 3,140,793 (10% of the issued and outstanding Shares). As at the date hereof there are 115,083 Shares held pursuant to the ESPP (0.4% of the issued and outstanding Shares) and 790,622 Deferred Shares issued and outstanding (2.5% of the issued and outstanding Shares). Therefore, an additional 2,235,088 Shares (7.1% of the issued and outstanding Shares) may be reserved for issuance under the ESPP and the Deferred Share Plan, collectively. Currently, 54,731 Shares have been reserved for issuance with the TSX under the ESPP and 458,069 Shares have been reserved for issuance with the TSX under the Deferred Share Plan. None of these Shares have been issued. Since the date of inception of the ESPP, the Corporation has issued 548,269 Shares pursuant to the ESPP (1.7% of the issued and outstanding Shares).

The total maximum number of Shares to be issuable under the ESPP shall be equal to 5% of the issued and outstanding Shares at any time. The total maximum number of Shares issuable under all security based compensation schemes of the Corporation, including the ESPP and the Deferred Share Plan, shall be equal to 10% of the issued and outstanding Shares at any time.

#### ***Burn Rate***

The burn rate of the ESPP is expressed as a percentage and is equal to the number of Shares issued pursuant to the ESPP in a particular year divided by the weighted average number of Shares outstanding for the particular year, calculated as prescribed by the TSX. The burn rate of the ESPP for the past three financial years of the Corporation is as follows:

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Burn Rate</b>	0.2%	0.2%	0.2%

#### ***Assignment or Transfer of Shares Held in the ESPP***

Except with the consent of the ESPP administrator (which may not be arbitrarily or unreasonably withheld) and subject to applicable laws, no right or interest of any participant in any of the Shares purchased or held on his or her behalf under the ESPP shall be, at any time prior to the vesting date in respect of such Shares, assignable, in whole or in part, either directly or by operation of law or otherwise in any manner, other than by will or other testamentary instrument, or the laws of succession. No attempted assignment of any Shares contrary to the terms of the ESPP shall be effective. Notwithstanding the foregoing, assignments may be effected with the approval of the Corporation and the appropriate regulatory authorities, if required. For the purposes of these provisions of the ESPP, an "assignment" includes the creation, granting or incurring of a security interest, mortgage, charge, lien, execution or similar interest in the Shares of a participant held under the ESPP.

In addition, no transfer of any right or interest of any participant in any of the Shares purchased or held on his or her behalf under the ESPP may, without the consent of the Corporation, be made at any time prior to the vesting date in respect of such Shares without disentitling the participant to any additional benefits to which the participant would otherwise have become entitled in respect of the Shares.

#### ***Amendments to ESPP***

All amendments to the ESPP shall be approved by a majority of the Directors. Shareholders shall approve by simple majority any changes to the number of Shares reserved for issuance under the ESPP, and any other changes that require Shareholder approval pursuant to regulatory requirements. From time to time the Compensation Committee may (without approval of the Shareholders, unless required by applicable regulatory authorities) amend any provision of the ESPP provided that no amendment to the ESPP or any termination of the ESPP may affect any entitlement of any participant under the ESPP to receive securities or have the effect of altering the terms of any outstanding right of a participant without the prior written consent of such participant, and provided further that regulatory approval (including TSX approval) and, if required by such regulatory authorities, Shareholder approval, of the amended form of the ESPP is received prior to the issuance of any additional securities under the provisions of the amended form of the ESPP. Without limiting the generality of the foregoing, the Directors may, without obtaining the approval of the Shareholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the ESPP text; or (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements and policies).

In addition, any amendment to the ESPP that would: (a) result in any increase in the number of Shares issuable under the ESPP; (b) provide for any discount to the purchase price paid by participants for Shares under the ESPP; (c) increase the number of additional Shares issuable to participants under the ESPP at the end of the 18 month Vesting Period; or (d) result in any modification to the amendment provisions of the ESPP, shall require approval by a majority of the votes cast by Shareholders at a meeting called for that purpose.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No Director or executive officer of the Corporation or proposed nominee for election as a Director, or their respective associates, was indebted to the Corporation or its subsidiaries during the year ended December 31, 2017.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

The following transactions were carried out by the Corporation with related parties.

### Property Leases

The Corporation leases several buildings from related parties who were vendors of businesses that the Corporation has acquired. These vendors are considered related parties because of their continued involvement in the management of those acquired businesses. In addition, the Corporation leases office space for its head office from a company controlled by a director of the Corporation. These leases are considered to be at market terms and are recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2017 under these leases was \$3.7 million (2016 – \$3.4 million) and the lease term maturities range from 2018 to 2020. The lease expenses are recorded within general and administrative expenses and are classified as operating leases therefore no related balances exist on the Corporation's statement of financial position.

### Key Management Compensation

The Corporation identifies its key management personnel being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise). The key management personnel include the executive management team and the Directors.

Compensation awarded to key management for the 2017 year and the comparative 2016 year is as follows:

	Fiscal 2017	Fiscal 2016
Salaries and short-term benefits	\$5,601,000	\$5,118,000
Share-based payments	\$3,071,000	\$2,447,000
Total Compensation	\$8,672,000	\$7,565,000

### Co-investments with CRJ Capital Corp.

During 2017, the Corporation entered into an agreement with CRJ Capital Corp., a corporation controlled by the CEO of Regional One, Doron Marom. Under this agreement, CRJ Capital Corp. can, subject to the approval of the Corporation, co-invest with the Corporation, on a non-controlling basis, in certain aircraft assets. As a co-investor in these isolated aircraft assets, CRJ Capital Corp. receives profits as money is collected on the sale of the aircraft assets. In connection with this agreement, the CEO of Regional One has extended his non-compete agreement with the Corporation. The assets are managed by Regional One and Regional One charges a management fee to CRJ Capital Corp. for services rendered. Cash flow returns are paid out when collected from the customer.

During the current period CRJ Capital Corp. invested US\$7.9 million with the Corporation on various co-investments, generating returns paid or payable to CRJ Capital Corp. of US\$3.5 million. As a result of the sale of certain of these assets and the return of the initial investment to CRJ Capital Corp., its remaining investment at December 31, 2017 was US\$5.1 million. At December 31, 2017, US\$1.4 million is recorded as accounts receivable of the Corporation from CRJ Capital Corp.

### OTHER MATTERS

The Corporation knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting; however, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

The final date by which the Corporation must receive Shareholder proposals for the annual meeting of Shareholders to be held in 2019 is January 3, 2019. All proposals should be sent by registered mail to the Corporate Secretary of the Corporation at the address set forth below.

### ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis, each for the period ended December 31, 2017. Copies of these and other documents may be obtained from the CEO of the Corporation upon request to the address set out below. This and other additional information relating to the Corporation may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### EXCHANGE INCOME CORPORATION

Attention: Michael Pyle, CEO  
1067 Sherwin Road  
Winnipeg, Manitoba, R3H 0T8

Or by phone: (204) 982-1850  
Or by fax: (204) 982-1855  
Or by email: MPyle@eig.ca

### DIRECTORS' APPROVAL

The Directors have approved the contents of this Circular and the distribution of this Circular to Shareholders.

"Dianne Spencer"  
Dianne Spencer  
Corporate Secretary  
April 4, 2018

## SCHEDULE "A"

### BOARD OF DIRECTORS MANDATE

*The Board of directors (the "Board") of Exchange Income Corporation (the "Company") will carry out the procedures, responsibilities and duties set out below. In doing so, the Board shall oversee the management of the Company's business and affairs in the interests of the shareholders of the Company, while continually monitoring the integrity of the Company, its subsidiaries, its officers and employees.*

#### BOARD COMPOSITION

1. The Board should consist of a cross-section of highly professional and competent members with the necessary knowledge and abilities to facilitate the Company meeting its legal, financial, operational and societal objectives.
2. The election of directors occurs at the annual general meeting of the Company and is for a term of one year.
3. A majority of the members of the Board shall be independent pursuant to applicable legislation and regulations.

#### MEETINGS

4. The Chair of the Board shall solicit from the members of the Board recommendations as to matters to be brought before the Board, which matters shall receive a fair hearing at the Board meetings. The Board will meet at least five times per year. A quorum for meetings is a majority of directors.
5. A meeting agenda and background material on agenda items will be provided prior to each meeting so that Board members have an opportunity for advance review of relevant materials. Senior management will be made accessible to Board members at Board meetings and meetings of committees (each a "Committee") of the Company and at such other times as the Board members may request.
6. All directors are encouraged to attend meetings of the Board and/or Committees in person. However, when this is not possible, a director may participate in a meeting of the Board or of a Committee by means of telephone or other communications facilities which permit all persons participating in the meeting to hear each other, and a director participating by such means is deemed to be present at the meeting.

#### REMUNERATION

7. Remuneration of the Board will be established upon the recommendation of the Compensation Committee and shall be generally in line with that paid by other Canadian controlled public companies of a similar size and type.

#### DUTIES AND RESPONSIBILITIES OF THE BOARD

8. The Board is responsible for the supervision of the management of the Company's business and affairs. The Board has the statutory authority and obligation to oversee the maintenance and protection of the assets of the Company in the interest of all of the shareholders of the Company.
9. Although directors may be elected by the shareholders of the Company to bring a special expertise or point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company must be paramount at all times.
10. The involvement and commitment of directors is evidenced by regular Board and Committee attendance, preparation and active participation in setting goals, and requiring performance for the benefit of shareholders of the Company.
11. While the Board is called upon to "manage" the business, this is done through delegation to the Chief Executive Officer who is charged with the day-to-day management of the Company. The Board approves the goals of the business, the objectives and policies within which it is managed, and then steps back and evaluates management performance. Reciprocally, management keeps the Board fully informed of the progress of the Company towards the achievement of its established goals and of all material deviations from the goals or objectives and policies established by the Board in a timely and candid manner.
12. The Board operates by delegating certain of its responsibilities and authority, including spending authorization, to management and reserving certain powers to itself.

*Management Selection, Retention, Succession and Remuneration*

13. Subject to the Articles and By-laws of the Company, the Board manages its own affairs, including planning its composition, selecting its Chairperson, nominating candidates for election to the Board, appointing Committees, establishing the charters and duties of the Board and its Committees, and determining Board compensation.

14. The Board has responsibility for the appointment and replacement of the Chief Executive Officer, for monitoring the performance of the Chief Executive Officer, and for determining the compensation of the Chief Executive Officer.

15. The Board has responsibility for approving the appointment and remuneration of all corporate officers, acting upon the advice of the Chief Executive Officer, and for overseeing the implementation of adequate management succession mechanisms.

16. The Board must satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

*Strategy Determination*

17. The Board has the responsibility of participating directly or through its Committees in developing and approving the mission of the Company, its objectives and goals, and the strategy for the achievement of such objectives and goals.

18. The Board is responsible for promoting congruence between the expectations of shareholders of the Company, Company goals and objectives and management performance.

*Monitoring and Acting*

19. The Board is responsible for monitoring the Company's progress towards its goals, and to revise and alter its direction in light of changing circumstances.

20. The Board is responsible for providing advice and counsel to the Chief Executive Officer and for taking appropriate action when performance of the Company falls short of its goals or other special circumstances warrant such action.

*Policies and Procedures*

21. The Board is responsible for approving and monitoring compliance with all significant policies and procedures by which the Company operates.

22. The Board is responsible for monitoring the Company's operations to ensure that such operations comply with applicable laws and regulations and ethical and moral standards at all times.

*Reporting To Shareholders*

23. The Board is responsible for monitoring the performance of the Company and providing regular, adequate and timely reporting of such performance to shareholders of the Company, other security holders and regulators.

24. The Board is responsible for overseeing the report of audited annual financial statements in accordance with generally accepted accounting standards, and for reviewing the Company's quarterly financial statements before publication.

25. The Board is responsible for the timely reporting of any developments that have a significant and material impact on the value of the Company or its publicly traded securities.

*General Legal Obligations*

26. The directors of the Company generally have the following legal obligations:

- (i) To manage the business and affairs of the Company.
- (ii) To act honestly and in good faith with a view to the best interests of the Company.
- (iii) To exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (iv) To act in accordance with their obligations under the *Canada Business Corporations Act*, securities, environmental, and other relevant legislation, and the Company's articles and by-laws.

- (v) To consider as the full Board and not delegate to a Committee:
- a. any submission to the shareholders of the Company of a question or matter requiring the approval of the shareholders of the Company;
  - b. the filling of a vacancy among the directors or the Company's auditor;
  - c. the manner and the terms of the issuance of securities;
  - d. the declaration of dividends by the Company;
  - e. the purchase, redemption or any other form of acquisition of shares issued by the Company;
  - f. the payment of a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Company from the Company or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - g. the approval of a management proxy circular;
  - h. the approval of annual and interim financial statements;
  - i. the approval of any take-over bid circular, directors' circular or comparable circular; and
  - j. the adoption, amendment or repeal of the By-laws of the Company and proposed amendments to the Articles of the Company to be submitted to shareholders of the Company for approval.

## **BOARD COMMITTEES**

### *Purpose*

27. The Board may establish, seek the advice of and delegate responsibilities to Committees of the Board.

28. Committees undertake detailed examination of specific aspects of the Company as outlined in their charters. The Committees provide a smaller, more intimate forum than full Board meetings and are designed to be more conducive to exhaustive and forthright discussion.

29. Committees analyze in depth policies and strategies which are developed by management. They examine alternatives and, where appropriate, make recommendations to the full Board.

30. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so. The Board reserves the right to oversee, review and approve Committee activity.

### *Membership*

31. Subject to the Articles of the Company and the By-laws of the Company, the Chairs and members of the Committees are recommended by the Chair of the Board, in consultation with the Chair of the Governance Committee, and appointed by the Board.

32. Committees should be made up of not less than three and not more than six directors.

33. The Chair of the Board shall be an *ex-officio* member of each Committee.

### *Procedures*

34. The Chair of each Committee shall preside at Committee meetings; in that person's absence, an alternate may be elected by the Committee.

35. A majority of the members of a Committee constitutes a quorum.

36. Each Committee shall meet at the call of its Chair at least once in the fiscal year, or in accordance with the applicable Charter.

37. Upon advising the Board Chair, a Committee may from time to time request the assistance of external advisors to research, investigate and report on matters within that Committee's Charter.

38. The Corporate Secretary, or a person delegated by the Corporate Secretary, will be the secretary to a Committee. All minutes of the Committees will be forwarded by the Secretary to each member of the Board in a timely manner.

39. The proceedings of Committees shall be conducted in accordance with the By-laws of the Company and the Articles of the Company and the applicable Committee charter.

40. Each Committee Chair shall report or cause a report to be made to the Board at each Board meeting following a Committee meeting.

#### **STANDING COMMITTEES**

41. The Board has established the following standing Committees:

- (i) the Audit Committee;
- (ii) the Governance Committee;
- (iii) the Compensation Committee;
- (iv) the Aerospace & Aviation Sector Advisory Committee;
- (v) the Manufacturing Sector Advisory Committee; and
- (vi) the Disclosure and Competition Committee.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE**

42. The following summarizes the arrangements relating to the indemnification and insurance of directors and officers of the Company, its subsidiaries and other entities it may direct:

#### **STATUTORY FRAMEWORK**

43. The *Canada Business Corporations Act* provides that a corporation may indemnify (and the Corporation does indemnify) a director or officer against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment) reasonably incurred in respect of any civil, criminal or administrative action or proceeding if the person has acted honestly and in good faith with a view to the best interests of the corporation and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct complained of was lawful. In the case of an action brought by or on behalf of the corporation, the corporation may indemnify the directors and officers only with the approval of the court and in any case the indemnity would cover only the costs, charges, and expenses reasonably incurred by the individual in connection with the action.

#### **TERMS OF REFERENCE FOR INDIVIDUAL DIRECTORS**

The Board exercises its powers and responsibilities as a group. No individual director has the power to act on his or her own. As a member of the Board, each director will fulfill the legal requirements and obligations of a director, which include the responsibilities:

- (i) to act honestly and in good faith with a view towards the best interests of the Company; and
- (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

#### **GENERAL**

44. Members of the Board shall:

- (i) Maintain a solid understanding of the role, responsibilities and legal duties of a director.
- (ii) Demonstrate an understanding of the difference between governing and managing, and not encroach on management's area of responsibility.
- (iii) Maintain confidentiality of all information that is acquired as a director.

- (iv) Understand conflict of interest issues and declare real or perceived conflicts, and disclose contracts or arrangements in which the director has an interest.
- (v) Demonstrate support for the values and ethics of the Company and a high standard of personal values and ethics.
- (vi) Participate actively as a member or Chair of one or more Committees and become knowledgeable with the mandates of those Committees.

#### **SKILLS AND EXPERIENCE**

45. Members of the Board shall:

- (i) Demonstrate skills and experience that are complementary to the directors and supportive of the Company's current activities and strategic direction.
- (ii) Utilize external relationships and resources in making a contribution and adding value to the Company.
- (iii) Effectively apply his or her knowledge, experience and expertise to issues confronting the Company.
- (iv) Serve as a helpful resource to the Board and to management where necessary and appropriate.

#### **STRATEGIES AND PLANS**

46. Members of the Board shall:

- (i) Maintain and demonstrate a comprehensive understanding of the Company's strategic direction and annual plans; including an understanding of the Company's principal risks.
- (ii) Contribute and add value to discussions regarding the Company's strategic direction.
- (iii) Participate in monitoring and evaluating the Chief Executive Officer's and management's success in achieving established goals set out in the Company's strategic and annual plans.

#### **PREPARATION, ATTENDANCE AND AVAILABILITY**

47. Members of the Board shall:

- (i) Maintain an excellent Board and Committee meeting attendance record.
- (ii) Attend entire Board or Committee meetings, not just parts of meetings.
- (iii) Attend meetings well prepared, having completed and understood the necessary background reading and having consulted other directors and/or management, if required, to evaluate and add value to agenda items presented.
- (iv) Where appropriate, demonstrate broader preparation than just the distributed material.
- (v) Be available when needed, and be accessible and approachable.
- (vi) Have the necessary time and commitment to fulfill responsibilities as a director and, if applicable, as a member of one or more Committees.

#### **COMMUNICATION AND INTERACTION**

48. Members of the Board shall:

- (i) Interact appropriately with the leadership and management of the Company.
- (ii) Participate fully and openly in Board deliberations and discussions.
- (iii) Be a team player – work effectively with fellow directors and be a positive and constructive force within the Board.

- (iv) Communicate persuasively and logically, voice concerns, listen and raise questions in a manner that encourages open discussion.
- (v) Be willing to take a stand or express a view, even if it runs contrary to prevailing wisdom or the direction of the discussion; exercise independent judgment.
- (vi) Advise the Chief Executive Officer and/or the Chair of the Board when introducing significant and/or previously unknown information or material at a Board meeting.

#### **BUSINESS, COMPANY AND INDUSTRY KNOWLEDGE**

49. Members of the Board shall:

- (i) Maintain and demonstrate a strong understanding of the business, services/products, markets and operations of the Company and its affiliates.
- (ii) Maintain and demonstrate knowledge of important industry trends and the competitive environment.
- (iii) Where appropriate, use contacts to increase understanding of the various issues with which the Board is concerned.
- (iv) Be familiar with and give access to the Company's senior management team and other high potential senior employees

Remain knowledgeable about the Company's operations and visit them when appropriate.

**SCHEDULE "B"**

**EXCHANGE INCOME CORPORATION**

**FOURTH AMENDED AND RESTATED  
DEFERRED SHARE PLAN**

**May 9, 2018**

**(amending and restating the third amended and restated deferred share plan dated May 14, 2013)**

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**ARTICLE 1  
INTERPRETATION, ADMINISTRATION, RESERVED SHARES**

**1.01 Purpose**

The purpose of this Fourth Amended and Restated Deferred Share Plan dated May 9, 2018 (the “**Plan**”) of Exchange Income Corporation (the “**Corporation**”) is to promote a greater alignment of interests between the Directors, Officers and Employees (as defined below) of the Corporation and the Shareholders (as defined below) of the Corporation.

**1.02 Definitions**

The following terms used in this Plan have the meanings set out below:

- (a) “**Acceptable Equity Awards**” means any Deferred Shares or other equity awards that are granted to or accepted by a Non-Executive Director in lieu of cash fees, provided that the equity award granted has an initial value that is equal to the value of the cash fees foregone;
- (b) “**affiliate**” has the meaning given to that term in National Instrument 45-106 – *Prospectus and Registration Exemptions*;
- (c) “**Applicable Withholding Taxes**” means any and all taxes and other source deductions or other amounts which the Corporation is required by law to withhold from any amounts to be paid or credited under the Plan;
- (d) “**Articles of Arrangement**” means the Corporation’s Articles of Arrangement dated July 28, 2009, as the same may be further amended from time to time;
- (e) “**Board**” means the board of Directors of the Corporation;
- (f) “**Change of Control**” means:
  - (i) a successful take-over bid (as defined under *The Securities Act (Manitoba)*) made by way of take-over bid circular;
  - (ii) any change in the beneficial ownership or control of the outstanding securities or other interests which results in:
    - (A) a person or group of persons “acting jointly or in concert” (within the meaning of *The Securities Act (Manitoba)*, as amended from time to time), or
    - (B) an “affiliate” or “associate” (each as defined in *The Securities Act (Manitoba)*, as amended from time to time) of such person or group of persons, holding, owning or controlling, directly or indirectly, more than 30% of the outstanding Shares, other than as a result of a transaction or series of transactions approved by the Board unless such holding, owning or controlling, directly or indirectly, exceeds 50% of the outstanding Shares;
  - (iii) the sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Corporation to any other person or persons (other than pursuant to an internal reorganization or a dissolution of the Corporation); or
  - (iv) any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Plan;
- (g) “**Code**” has the meaning set forth in Appendix for U.S. Participants attached to and forming part of the Plan;
- (h) “**Compensation Committee**” means the Compensation Committee of the Board or such other committee of the Board which has been delegated the responsibility of administering the Plan or, if the Board has not made any delegation, “Compensation Committee” shall mean the Board;
- (i) “**Deferred Share**” means a bookkeeping entry, equivalent in value to a Share, credited to a Participant’s Deferred Share Account in accordance with the terms and conditions of the Plan;
- (j) “**Deferred Share Account**” has the meaning ascribed thereto in Section 6.01 hereof;
- (k) “**Director**” means a member of the Board;
- (l) “**Director Limitations**” has the meaning ascribed thereto in Section 9.02 hereof;
- (m) “**Director’s Retainer**” means the basic retainer payable to a Director for service as a member of the Board during a calendar year and, for greater certainty, shall not include, committee chairperson

retainers, committee member retainers, Board or committee meeting fees, special remuneration for ad hoc services rendered to the Board or any discretionary grant of Deferred Shares, if any;

- (n) **"Director's Retainer Letter"** has the meaning ascribed thereto in Section 9.03 hereof;
- (o) **"Eligible Person"** means a person who is (i) a Director; (ii) an Officer; or (iii) an Employee;
- (p) **"Employee"** means an employee of the Corporation or an affiliate of the Corporation;
- (q) **"Entitlement Date"** has the meaning ascribed thereto in Section 8.01 hereof;
- (r) **"Independent Directors"** means the Directors who are "independent" within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;
- (s) **"Insider"** means:
  - (i) a Director;
  - (ii) an Officer;
  - (iii) every director or senior officer of an entity that is an insider or a subsidiary of the Corporation; and
  - (iv) any person or company, who beneficially owns, directly or indirectly, voting securities of the Corporation (including Shares), or who exercises control or direction over voting securities of the Corporation, or a combination of both, carrying more than 10% of the voting rights attached to all voting securities of the Corporation for the time being outstanding;
- (t) **"Market Value"** at any date in respect of the Shares means the average of the closing prices (or if the Shares are not traded on a trading day, the average of the closing bid price and the closing ask price) on the Toronto Stock Exchange for the ten (10) trading days immediately preceding such date (or, if such Shares are not listed and posted for trading on the Toronto Stock Exchange, on such stock exchange on which such Shares are listed and posted for trading as may be selected for such purpose by the Directors). In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Shares as determined by the Compensation Committee in its sole discretion;
- (u) **"Non-Executive Director"** means any Director from time to time who is not also concurrently serving as an Officer or Employee of the Corporation;
- (v) **"Officer"** means an officer of the Corporation or a director or officer of an affiliate of the Corporation;
- (w) **"Participant"** means an Eligible Person who has been selected to participate in the Plan in accordance with Section 4.01 hereof;
- (x) **"Quarter"** means any of the four quarters of any financial year of the Corporation, currently ending on March 31, June 30, September 30 and December 31;
- (y) **"Redemption Date"**, in respect of a Participant who is not a U.S. Participant, means the earliest of the date:
  - (i) of the death of the Participant;
  - (ii) that the Participant becomes unable, as a result of any physical or mental illness, to fulfill their significant duties as Director, Officer or Employee, as the case may be, which will be deemed to have occurred if the Participant qualified under any disability insurance policy;
  - (iii) that the Participant ceased to be a Director, Officer or Employee, as the case may be; or
  - (iv) that the Compensation Committee approves the redemption of Deferred Shares by the Participant,

and in respect of a U.S. Participant, has the meaning set forth on the Appendix for U.S. Participants attached to and forming part of the Plan;
- (z) **"Share(s)"** means Common Share(s) of the Corporation and such other Share(s) of the Corporation as is added thereto or substituted therefore as a result of amendments to the Articles of Arrangement, reorganization of the Corporation or otherwise;
- (aa) **"Shareholder"** means a holder of Shares; and

- (bb) **"U.S. Participant(s)"** has the meaning set forth in the Appendix for U.S. Participants attached to and forming part of the Plan.

## ARTICLE 2 CONSTRUCTION AND INTERPRETATION

- 2.01** The initial deferred share plan of the Corporation was dated July 28, 2009 (the **"Original Plan"**). The Original Plan was amended and restated pursuant to an amended and restated deferred share plan dated May 25, 2011 (the **"2011 Amended and Restated Plan"**), further amended and restated on November 12, 2012 (the **"2012 Amended and Restated Plan"**) and further amended and restated on May 14, 2013 (the **"2013 Amended and Restated Plan"**). The term "Plan" shall refer to this Fourth Amended and Restated Deferred Share Plan dated May 9, 2018, the Original Plan, the 2011 Amended and Restated Plan, the 2012 Amended and Restated Plan and/or the 2013 Amended and Restated Plan, as the context requires.
- 2.02** All references in the Plan to currency refer to lawful currency of Canada.
- 2.03** The Plan shall be governed and interpreted in accordance with the laws of the Province of Manitoba and the applicable laws of Canada.
- 2.04** If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforceability of any other provision or part thereof.
- 2.05** In the Plan, references to the masculine include the feminine; reference to the singular shall include the plural and vice versa, as the context shall require.
- 2.06** Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

## ARTICLE 3 ADMINISTRATION

- 3.01** The Plan shall be administered by the Compensation Committee or such other committee of the Board as the Board may designate from time to time or, if the Board has not designated the responsibility for administration of the Plan to a committee, by the Board as a whole.
- 3.02** The Compensation Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make determinations and take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the Plan, including interpretation of the Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error, including interpretation of the Plan.
- 3.03** The Corporation will be responsible for all costs relating to the administration of the Plan.
- 3.04** The Board may from time to time amend or suspend the Plan in whole or in part, without the approval of Shareholders, and may at any time terminate the Plan without prior notice, as it deems appropriate; provided, however, that any amendment to the Plan that would:
- (a) result in any increase in the number of Deferred Shares issuable under the Plan;
  - (b) permit Deferred Shares granted under the Plan to be transferable or assignable other than as set forth in Article 10 hereof;
  - (c) result in any modification to this Section 3.04 or Article 9 hereof, including any modification of the Director Limitations; or
  - (d) amend the definition of "Participant" or the eligibility requirements for participating in the Plan where such amendment would have the potential of broadening or increasing participation by Insiders;

shall require approval by a majority of the votes cast by Shareholders at a meeting called for that purpose. Without limiting the generality of the foregoing, the Board may, without obtaining the approval of Shareholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Plan text; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements and policies); and (c) to the vesting provisions applicable to Deferred Shares issued under the Plan.

- 3.05** If the Board terminates the Plan, Deferred Shares previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Plan in effect immediately prior to the termination.
- 3.06** Unless otherwise determined by the Board, the Plan shall remain an unfunded obligation of the Corporation and the rights of Participants under the Plan shall be general unsecured obligations of the Corporation.

- 3.07** The Corporation shall be authorized to deduct from any amount to be paid or credited under the Plan any Applicable Withholding Taxes in such manner as the Corporation determines.
- 3.08** No Shares shall be issued to any Participant if as a result of the issuance of such Shares, more than 20% of the Shares issued and outstanding would be held, beneficially owned or controlled by persons or a group of associated persons that are not Canadians within the meaning of the *Canada Transportation Act*.

#### **ARTICLE 4 ELIGIBILITY**

- 4.01** The Compensation Committee shall determine which Eligible Persons may participate in the Plan.
- 4.02** Each Participant shall provide the Corporation with all information required in order to administer the Plan.

#### **ARTICLE 5 DEFERRED SHARES**

- 5.01** At the discretion of the Board, subject to the limitations contained herein, a grant of Deferred Shares may be made to any Eligible Person at any time in any year.
- 5.02** Under no circumstances shall Deferred Shares be considered Shares nor entitle a Participant to any Shareholder rights, including, without limitation, voting rights, dividend entitlements (other than in accordance herewith) or rights on liquidation.
- 5.03** Subject to Section 5.02 hereof, one (1) Deferred Share is equivalent to one (1) Share. Fractional Deferred Shares are permitted under the Plan.
- 5.04** Deferred Shares granted pursuant to the Plan to Participants who are Independent Directors shall vest immediately. Subject to Section 5.05 and Section 5.06, Deferred Shares granted pursuant to the Plan to Participants who are not Independent Directors shall vest in accordance with the following schedule:
- a) 33% of the Deferred Shares on the first anniversary of the grant;
  - b) 33% of the Deferred Shares on the second anniversary of the grant; and
  - c) 34% of the Deferred Shares on the third anniversary of the grant.

Deferred Shares are credited to the Participant's Deferred Share Account upon vesting.

- 5.05** Notwithstanding Section 5.04 hereof, but subject to Section 5.06 hereof:
- a) in the event of any Change of Control, any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with Section 5.04 above, and (ii) the date which is immediately prior to the date upon which the Change of Control is completed; and
  - b) to the extent not already vested, all Deferred Shares issued to a Participant who has reached, or reaches, the age of fifty-five (55) and who has been: (i) a Director; (ii) an Officer; or (iii) an Employee, for a period of not less than ten (10) years shall vest immediately.
- 5.06** Notwithstanding the foregoing or anything else herein contained, the Compensation Committee shall have the discretion to vary the manner in which Deferred Shares vest for any Participant.

#### **ARTICLE 6 DEFERRED SHARE ACCOUNTS AND DIVIDENDS PAID ON SHARES**

- 6.01** An account, to be known as a "**Deferred Share Account**" shall be maintained by the Corporation for each Participant and will be credited with notional grants of Deferred Shares received by a Participant from time to time.

Whenever cash dividends are paid to the holders of the Shares, additional Deferred Shares will be credited to each Participant's Deferred Share Account. The number of such additional Deferred Shares shall be calculated by dividing:

- (a) the amount determined by multiplying:
  - (i) the number of Deferred Shares in such Participant's Deferred Share Account on the record date for the payment of such dividend; by
  - (ii) the amount of the dividend paid per Share;

by

- (b) 100% of the Market Value of a Share on the dividend payment date for such dividend,

in each case, with fractions computed to two decimal places. Such additional Deferred Shares shall vest at the same time and on the same basis as the Deferred Shares in respect of which they are credited.

**ARTICLE 7  
ADJUSTMENTS**

- 7.01** In the event of any Share dividend, Share split, combination or exchange of Shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to the Shareholders, or any other change affecting the Shares, the Deferred Share Account of each Participant and the Deferred Shares outstanding under the Plan shall be adjusted in such manner, if any, as the Compensation Committee may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Deferred Shares will be granted to such Participant to compensate for a downward fluctuation in the Market Value of the Shares, nor will any other form of benefit be conferred upon, or in respect of a Participant for such purpose.

**ARTICLE 8  
REDEMPTION OF DEFERRED SHARES**

- 8.01** Following a Participant's Redemption Date, the Participant shall select, in the form and manner prescribed by the Compensation Committee, an entitlement date on which the Deferred Shares credited to the Participant's Deferred Share Account, which have vested in accordance with Article 5 hereof, shall be redeemed (the "**Entitlement Date**"). The Entitlement Date shall be no later than the end of the first Quarter immediately following the Quarter in which the Participant's Redemption Date occurred. In the event that the Participant does not select an Entitlement Date prior to the end of the first Quarter immediately following the Quarter in which the Participant's Redemption Date occurred, the Entitlement Date shall be deemed to be the last day of the Quarter immediately following the Quarter in which the Participant's Redemption Date occurred.
- 8.02** Subject to: (i) the provisions of the Plan; and (ii) the receipt by The Canadian Depository for Securities Limited of the Participant's brokerage account information from his or her securities broker, the Participant shall receive, within ten (10) business days after the Entitlement Date, a whole number of Shares from the Corporation equal to the whole number of Deferred Shares then recorded in the Participant's Deferred Share Account that have vested in accordance with the provisions of Article 5 hereof, net of any Applicable Withholding Taxes. To facilitate the payment of the Applicable Withholding Taxes, the Corporation may, in its sole discretion, provide a cash loan to the Participant in an amount equal to the estimated amount of the tax liability payable in respect of the Shares received by the Participant upon the redemption of the Deferred Shares, which loan shall bear interest at a rate and which shall be repayable on such terms as agreed upon by the Corporation and the Participant. In the event that the Participant and the Corporation cannot agree to the terms of the loan or cannot come to other mutually agreeable arrangements, the Corporation may as a condition of issuing the Shares to the Participant under the Plan (i) require the Participant to reimburse the Corporation for any Applicable Withholding Taxes in respect of the issuance of the Shares to such Participant; (ii) reserve the right to withhold, consistent with any applicable law, from any compensation or other amounts payable to the Participant, any Applicable Withholding Taxes required to be paid by the Corporation on behalf of the Participant or on its own behalf as a result of the issuance of Shares to such Participant; (iii) retain, acquire or sell on behalf of a Participant any Shares that would otherwise be issued to a Participant hereunder; or (iv) impose such other requirements as the Corporation in its discretion determines is necessary to ensure the payment of the Applicable Withholding Taxes.
- 8.03** Upon redemption of the Deferred Shares held by a Participant that have vested in accordance with Article 5 hereof, all of the Deferred Shares held by such Participant, whether vested or unvested, shall be cancelled, unless otherwise determined by the Compensation Committee in its sole discretion.

**ARTICLE 9  
NUMBER OF SHARES**

- 9.01** The aggregate number of Shares authorized for issuance upon the redemption of all Deferred Shares granted under the Plan, subject to any adjustment of such number pursuant to the provisions of Article 7 hereof, shall not exceed 10% of the issued and outstanding Shares from time to time; provided, however, that: (i) at no time shall the number of Shares reserved for issuance to Insiders of the Corporation pursuant to outstanding Deferred Shares, together with the number of Shares reserved for issuance to such persons pursuant to any other compensation arrangements, exceed 10% of the then outstanding Shares, as calculated immediately prior to the issuance in question; and (ii) the number of Shares issued to Insiders of the Corporation pursuant to outstanding Deferred Shares together with the number of Shares issued to such persons pursuant to any other compensation arrangements, within any one year period, shall not exceed 10% of the then outstanding Shares.
- 9.02** In addition to the foregoing limitations, the maximum aggregate number of Shares which may be reserved for issuance under the Plan to all Non-Executive Directors shall be 1% of the Shares issued and outstanding at the applicable grant date (on a non-diluted basis), and the aggregate number of securities granted under all compensation arrangements to any one Non-Executive Director within any one calendar year period shall not exceed a maximum value of \$150,000 worth of securities, in each case as calculated without reference to:
- a) any Acceptable Equity Awards;
  - b) any Deferred Shares held by any former Directors of the Corporation, or by any Officers or Employees of the Corporation who are also serving as Directors of the Corporation,

(such maximum aggregate number of Shares being hereinafter referred to as the “**Director Limitations**”).

- 9.03** A Director shall have the right to elect in each calendar year the manner in which the Participant wishes to receive the Director’s Retainer (whether in cash, Deferred Shares or a combination thereof) by completing, signing and delivering to the Corporate Secretary of the Corporation a letter stating the proportions of the Directors’ Retainer that such Director wishes to receive in cash and/or Deferred Shares (the “**Director’s Retainer Letter**”) (a) in the case of a current Director, by December 31 of such calendar year with such election to apply in respect of the Director’s Retainer for the following calendar year; or (b) in the case of a new Director, within thirty (30) days after the Director’s first election or appointment to the Board with such election form to apply in respect of the calendar year in which such Director was elected or appointed to the Board and only with respect to compensation for services to be performed after the date of delivery of the election form. The Board may, from time to time, set such limits on the manner in which the Participants may receive their Director’s Retainers and every election made by a Participant in his or her Director’s Retainer Letter shall be subject to such limits once they are set. If the Director’s Retainer Letter is delivered in accordance with this Section 9.03, the Corporation shall pay and/or issue the Director’s Retainer for the calendar year in question, as the case may be, to such Director in accordance with such Director’s Retainer Letter. If the Director’s Retainer Letter is not signed and delivered in accordance with this Section 9.03, the Corporation shall pay the Director’s Retainer in cash. If a Director has signed and delivered an Director’s Retainer Letter in respect of one calendar year in accordance with this Section 9.03, but has not subsequently signed and delivered a new Director’s Retainer Letter in respect of a subsequent calendar year, the Corporation shall continue to pay and/or issue the Director’s Retainer for each subsequent calendar year, if any, in the manner specified in the last Director’s Retainer Letter that was delivered by the Director in accordance with this Section 9.03, until such time as the Director signs and delivers a new Director’s Retainer Letter in accordance with this Section 9.03.
- 9.04** The number of Deferred Shares to be credited as of the date of grant of Deferred Shares in respect of a Director’s Retainer shall be determined by dividing (a) the amount of the Director’s Retainer to be paid in Deferred Share Units by (b) the Market Value, with fractions computed to two decimal places.

#### **ARTICLE 10 ASSIGNMENT**

- 10.01** In no event may the rights or interests of a Participant under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that: (i) certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or by the laws of succession and distribution; and/or (ii) the Deferred Shares may be assigned or transferred to a Participant’s tax free savings account (as defined in the *Income Tax Act* (Canada)), if the Deferred Shares are eligible to be held in such account.
- 10.02** Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation.

#### **ARTICLE 11 COMPLIANCE WITH APPLICABLE LAWS**

- 11.01** The administration of the Plan shall be subject to and performed in conformity with all applicable laws, rules, regulations, policies, orders or requirements of governmental or regulatory authorities and the requirements of any stock exchange on which the Shares are listed (including, for greater certainty, the requirement set forth in Section 3.08 of the Plan). Each Participant shall comply with all such laws, rules, regulations, policies, orders and requirements, and shall furnish the Corporation with any and all information and undertakings, as may be required to ensure compliance therewith. The terms of the Plan may vary for Participants who are subject to taxation in foreign countries, which terms shall be set forth in an Appendix to the Plan.

**APPENDIX FOR U.S. PARTICIPANTS**

Notwithstanding anything to the contrary in the Plan, the provisions in this Appendix shall apply to Participants who are subject to income taxes pursuant to the United States Internal Revenue Code of 1986, as amended (the “Code,” and each such Participant, a “U.S. Participant”). In the event that a Participant becomes a U.S. Participant after receiving a grant of Deferred Shares, the award shall be amended as permitted by U.S. Treasury Regulation section 1.409A-3(h) so that the award terms comply with Section 409A.

(a) The “Redemption Date” in respect of each U.S. Participant shall mean the earliest to occur of the following events: (i) the U.S. Participant’s death, (ii) the U.S. Participant’s “disability” (within the meaning of U.S. Treasury Regulation section 1.409A-3(i)(4)(i)), (iii) the U.S. Participant’s “separation from service” (within the meaning of U.S. Treasury Regulation 1.409A-1(h)), (iv) the occurrence of a change in the ownership of the Corporation within the meaning of U.S. Treasury Regulation section 1.409A-(i)(5)(v)<sup>1</sup> or a change in a substantial portion of the Corporation’s assets within the meaning of U.S. Treasury Regulation section 1.409A-3(i)(5)(vii),<sup>2</sup> or (v) the fortieth anniversary of the date upon which the Corporation granted the applicable Deferred Shares to the U.S. Participant pursuant to Section 5.01 of the Plan.

(b) For purposes of Section 8.01 of the Plan, each U.S. Participant’s Entitlement Date shall occur as soon as administratively practicable following such U.S. Participant’s Redemption Date and in no event shall a U.S. Participant be entitled to select his or her Entitlement Date.

(c) To the extent applicable, the Plan and any Deferred Share Award Agreement provided to a U.S. Participant shall be interpreted and administered in accordance with Code Section 409A and the guidance promulgated thereunder.

(d) Any Deferred Shares held by a U.S. Participant that cannot be paid on such Participant’s Redemption Date by reason of Section 3.08 of the Plan shall immediately terminate and the U.S. Participant shall thereafter have no further rights under the Plan with respect to such terminated Deferred Shares.

(e) Notwithstanding Section 10.1 of the Plan or otherwise, neither a U.S. Participant nor any of a U.S. Participant’s creditors or beneficiaries will have the right to subject any Deferred Shares to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment. Except as permitted under Code Section 409A, any Deferred Shares awarded to a U.S. Participant may not be reduced by, or offset against, any amount owing by the U.S. Participant to the Corporation or any of its affiliates.

(f) If, at the time of a U.S. Participant’s separation from service, (i) the U.S. Participant is a “specified employee” (within the meaning of Code Section 409A and using the identification methodology selected by the Corporation from time to time) and (ii) the Corporation makes a good faith determination that Deferred Shares issuable hereunder are required to be delayed pursuant to the six-month delay rule set forth in Code Section 409A in order to avoid taxes or penalties under Code Section 409A, then the Corporation will not issue such shares issuable pursuant to the Deferred Shares on the otherwise scheduled issuance date but, unless otherwise provided in the Deferred Share Award Agreement, will instead issue them on the first business day of the seventh month after such separation from service.

(g) Notwithstanding any provision of the Plan and the terms of any Deferred Share Award Agreement to the contrary, in light of the uncertainty with respect to the proper application of Code Section 409A, the Corporation reserves the right subject to Section 3.04 of the Plan to make amendments to the Plan and terms of the Deferred Shares granted under the Plan as the Corporation deems necessary or desirable to avoid the imposition of taxes or penalties under Code Section 409A. In any case, a U.S. Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a U.S. Participant or for a U.S. Participant’s Deferred Share Account in connection with the Plan and grants made under the Plan (including any taxes and penalties under Code Section 409A), and neither the Corporation nor any of its affiliates have any obligation to indemnify or otherwise hold a U.S. Participant harmless from any or all of such taxes or penalties.

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<sup>1</sup> The trigger is the sale of stock constituting more than 50% of the voting power or FMV (as defined in the Code) of the Corporation’s stock. We can include a higher threshold under applicable guidance.

<sup>2</sup> The trigger is a sale of 40% of the FMV (as defined in the Code) of the Corporation’s assets. We can include a higher threshold under applicable guidance.