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

April 4, 2017
# TABLE OF CONTENTS

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION ...................................1
GLOSSARY ........................................................................................................................................................................2
MANAGEMENT INFORMATION CIRCULAR ..................................................................................................................3
SOLICITATION OF PROXIES .......................................................................................................................................3
APPOINTMENT AND REVOCATION OF PROXIES ........................................................................................................3
INFORMATION RESPECTING EXCHANGE INCOME CORPORATION .................................................................5
PARTICULARS OF MATTERS TO BE ACTED ON AT THE MEETING .................................................................5
  1. Appointment of Auditor ........................................................................................................................................5
  2. Election of Directors ............................................................................................................................................5
  3. Approval of Second Amended and Restated Shareholder Rights Plan ..........................................................11
CORPORATE GOVERNANCE ...................................................................................................................................13
EXECUTIVE COMPENSATION ...................................................................................................................................18
SECURITIES AUTHORIZED UNDER EQUITY COMPENSATION PLANS ..............................................................28
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS ...................................................................32
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .................................................................32
OTHER MATTERS .......................................................................................................................................................32
ADDITIONAL INFORMATION ...................................................................................................................................32
DIRECTORS’ APPROVAL ..........................................................................................................................................32

SCHEDULE “A” – BOARD OF DIRECTORS MANDATE

SCHEDULE “B” – SECOND AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN – Summary of Key Features
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 10, 2017 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, 2016, 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 second amended and restated shareholder rights 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 March 31, 2017. 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, CST Trust Company, PO Box 721, Agincourt, Ontario, M1S 0A1, or by email to proxy@canstockta.com 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.

By Order of the Directors

“Dianne Spencer”

Dianne Spencer
Corporate Secretary

Winnipeg, Manitoba
April 4, 2017
GLOSSARY

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

“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, 2017 in respect of the Meeting;

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

“Corporation” means Exchange Income Corporation;

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

“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;

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

“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 10, 2017 at the time and place set forth in the Notice of Meeting and, where the context requires, includes any adjournment thereof;


“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 March 31, 2017;

“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 10, 2017 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, CST Trust Company, PO Box 721, Agincourt, Ontario, M1S 0A1, or by email to proxy@canstockta.com 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 CST Trust Company 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, CST Trust Company, 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 31,143,722 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 ten Directors. The Board has nominated nine Directors for approval at the Meeting. Jeffrey Olin will not stand for re-election as a Director at the Meeting. The Shareholders are entitled to elect the Directors. The Directors are elected to hold office until the next annual meeting of the Shareholders or until their successors are appointed.

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 1, 2016). 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 “Compensation Governance and Compensation Committee”. The estimated value 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Share price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$38.53 (closing price on April 3, 2017)</td>
</tr>
<tr>
<td>2015</td>
<td>$27.73 (closing price on March 31, 2016)</td>
</tr>
</tbody>
</table>
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 Chair of British Columbia Hydro and Power Authority, a director of Powerex Inc., a director of Kal Tire Holdings Ltd., and a director of Quails' Gate Winery.

Mr. Bennett also currently serves as a director of the University of British Columbia Property Trust and as a trustee of the Fraser Institute. Past public service positions include Chair of MITACS, Chair of the University of British Columbia Board of Governors, Chair of Okanagan University College, Chair of Kelowna General Hospital Foundation, Co-Chair of the Central Okanagan Hospice Campaign and Chair of Rotary Centre for the Arts Building Committee in Kelowna.

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.

### Board / Committee Membership

<table>
<thead>
<tr>
<th>Meeting attendance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board 9 of 11 82%</td>
</tr>
<tr>
<td>Compensation Committee 2 of 2 100%</td>
</tr>
<tr>
<td>Aerospace &amp; Aviation Sector Advisory Committee 3 of 4 75%</td>
</tr>
<tr>
<td>Manufacturing Sector Advisory Committee 3 of 4 75%</td>
</tr>
</tbody>
</table>

### Key Areas of Expertise

- Strategic planning
- Corporate development
- Corporate governance
- Project management

### Other Current Public Company Directorships

None

### Number of Shares Owned (directly or indirectly, over which control or direction is exercised)

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
<th>Deferred Shares</th>
<th>Total</th>
<th>Total Value</th>
<th>Share Ownership Requirement</th>
<th>Percentage of Target Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,595,168</td>
<td>9,259</td>
<td>1,604,427</td>
<td>$61,818,572</td>
<td>$240,000</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>1,595,168</td>
<td>7,784</td>
<td>1,602,952</td>
<td>$44,449,859</td>
<td>$240,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

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 Manitoba and elsewhere. Mr. Buckley is also the owner of additional hotel and mobile home 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.

### Board / Committee Membership

<table>
<thead>
<tr>
<th>Meeting attendance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board 11 of 11 100%</td>
</tr>
<tr>
<td>Audit Committee 6 of 6 100%</td>
</tr>
<tr>
<td>Compensation Committee 2 of 2 100%</td>
</tr>
<tr>
<td>Manufacturing Sector Advisory Committee 4 of 4 100%</td>
</tr>
</tbody>
</table>

### Key Areas of Expertise

- Financial
- Human resources and compensation
- Strategic planning
- Corporate mergers and acquisitions

### Other Current Public Company Directorships

None

### Number of Shares Owned (directly or indirectly, over which control or direction is exercised)

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
<th>Deferred Shares</th>
<th>Total</th>
<th>Total Value</th>
<th>Share Ownership Requirement</th>
<th>Percentage of Target Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>282,990</td>
<td>9,259</td>
<td>292,249</td>
<td>$11,260,354</td>
<td>$240,000</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>265,548</td>
<td>7,784</td>
<td>273,332</td>
<td>$7,579,496</td>
<td>$240,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
Allan Davis, CPA
Kenora, ON
Joined the Board on May 15, 2014
Age: 62
Status: Independent

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 Chair of the Audit Committee of the Boyd Group Income Fund.

Mr. Davis was a non-Director member of the Manufacturing Sector Advisory Committee prior to his election as a Director.

<table>
<thead>
<tr>
<th>Board / Committee Membership</th>
<th>Meeting attendance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>11 of 11</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>6 of 6</td>
</tr>
<tr>
<td>Manufacturing Sector Advisory Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

Key Areas of Expertise

- Accounting and corporate finance
- Strategic planning
- Transportation, distributions and manufacturing management
- Corporate restructuring

<table>
<thead>
<tr>
<th>Other Current Public Company Directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boyd Group Income Fund (trustee)</td>
</tr>
<tr>
<td>2005 to present</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
<th>Deferred Shares</th>
<th>Total</th>
<th>Total Value</th>
<th>Share Ownership Requirement</th>
<th>Percentage of Target Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>11,000</td>
<td>6,402</td>
<td>17,402</td>
<td>$670,499</td>
<td>$240,000</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>7,500</td>
<td>5,063</td>
<td>12,583</td>
<td>$348,927</td>
<td>$240,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

Hon. Gary Filmon, P.C., O.C., O.M., LL.D., ICD.D
Winnipeg, MB
Joined the Board on July 28, 2009
(previously a trustee of a predecessor to the Corporation)
Age: 74
Status: Independent

Mr. Filmon is currently the Chair of the Board.

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 Institute of Corporate Directors and received the ICD.D designation in 2015.

<table>
<thead>
<tr>
<th>Board / Committee Membership</th>
<th>Meeting attendance in 2016</th>
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<tr>
<td>Board</td>
<td>11 of 11</td>
</tr>
<tr>
<td>Governance Committee</td>
<td>3 of 3</td>
</tr>
<tr>
<td>Manufacturing Sector Advisory Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

Key Areas of Expertise

- Corporate governance
- Strategic planning
- Capital markets
- Project management

<table>
<thead>
<tr>
<th>Other Current Public Company Directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Natural Resources Limited</td>
</tr>
<tr>
<td>2006 to present</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
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<th>Total</th>
<th>Total Value</th>
<th>Share Ownership Requirement</th>
<th>Percentage of Target Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>55,590</td>
<td>20,100</td>
<td>75,690</td>
<td>$2,916,336</td>
<td>$523,500</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>55,280</td>
<td>16,591</td>
<td>71,871</td>
<td>$1,992,983</td>
<td>$523,500</td>
<td>100%</td>
</tr>
</tbody>
</table>
Mr. Jessiman is currently the Executive Vice-Chair in charge of special projects and chairs the Disclosure and Competition Committee.

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.

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 time to the business of the Corporation.

Ms. Kraayeveld is the Chair of the Governance Committee.

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. 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 clients in a broad range of industries and with a variety of issues. In addition, Ms. Kraayeveld served terms as the Managing Partner of the Winnipeg Office of Coopers & Lybrand and as the Partner in Charge of the Winnipeg tax practice of PricewaterhouseCoopers LLP.

Ms. Kraayeveld is a member of the Institute of Corporate Directors and received the ICD.D designation in 2008. Past board positions have included the boards of CAA Manitoba, PricewaterhouseCoopers LLP, Coopers & Lybrand, Institute of Chartered Accountants of Manitoba, Canadian Tax Foundation, United Way of Winnipeg, Manitoba Theatre Centre, Ducks Unlimited Canada and YWCA of Winnipeg.
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. 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. Mr. Pyle is currently a director of CentrePort Canada Inc. and a director of Manitoba Hydro. Mr. Pyle devotes the majority of his time to the Corporation.

Mr. Streuber currently chairs the Audit Committee and the Aerospace & Aviation Sector Advisory Committee. 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 & Company, Chartered Accountants. Mr. Streuber was elected an FCA by the Institute of Chartered Accountants of Manitoba in 2012. 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.
Edward Warkentin LL.B.
Winnipeg, MB

Joined the Board on July 28, 2009 (previously a trustee of a predecessor to the Corporation)

Age: 67
Status: Independent

Mr. Warkentin is the Chair of the Manufacturing Sector Advisory Committee. Mr. Warkentin holds a Bachelor of Arts 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 was a partner at Pitblado & Hoskin before leaving in 1998 to join Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP) as a partner, where he practiced in the area of corporate and commercial law and served as Managing Partner for 10 years after which he remained associated with that firm in a non-partner capacity.

Formerly he was a director of Manitoba Mineral Resources Ltd., the Chair and director of Youth for Christ (Winnipeg) Inc. and a director of Grace Hospital Board of Management. Mr. Warkentin is currently the Chair and a trustee of Artis Real Estate Investment Trust, a real estate investment trust listed on the TSX, a director of All In West Capital Corporation, a TSXV listed corporation, and a director of several private corporations, foundations and partnerships.

Board / Committee Membership

<table>
<thead>
<tr>
<th>Board</th>
<th>Meeting attendance in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11 of 11</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>2 of 2</td>
</tr>
<tr>
<td>Manufacturing Sector Advisory Committee</td>
<td>4 of 4</td>
</tr>
</tbody>
</table>

Key Areas of Expertise

- Business law
- Corporate governance
- Financial
- Human resources and compensation

Other Current Public Company Directorships

- Artis Real Estate Investment Trust (trustee) 2004 to present
- All in West Capital Corporation 2007 to present

Number of Shares Owned (directly or indirectly, over which control or direction is exercised)

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
<th>Deferred Shares</th>
<th>Total</th>
<th>Total Value</th>
<th>Share Ownership Requirement</th>
<th>Percentage of Target Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>23,250</td>
<td>9,259</td>
<td>32,509</td>
<td>$1,252,572</td>
<td>$240,000</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>23,250</td>
<td>7,784</td>
<td>31,034</td>
<td>$860,573</td>
<td>$240,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

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.

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 Second Amended and Restated Shareholder Rights Plan

**Background**

The Corporation first adopted a shareholder rights plan effective May 13, 2011, which was most recently amended and restated on May 15, 2014 following the approval of the Shareholders for such amended and restated shareholder rights plan (the “Existing Rights Plan”) at a meeting held on that date.

At the Meeting, Shareholders will be asked to approve an Ordinary Resolution (the “Rights Plan Resolution”) approving the second amended and restated shareholder rights plan of the Corporation (the “Rights Plan”). The text of this resolution is set forth below. If the Rights Plan Resolution is not passed at the Meeting, the Existing Rights Plan will terminate at the end of the Meeting and the Rights Plan will not be implemented. If the Rights Plan Resolution is passed at the Meeting, the Rights Plan will be implemented immediately following the Meeting and will require reconfirmation by the Shareholders at the 2020 meeting of Shareholders.

**Amendments to Take-Over Bid Rules**

Effective May 9, 2016, the Canadian Securities Administrators implemented certain amendments (the “CSA Amendments”) to the take-over bid rules in Canada as set forth in National Instrument 62-104 Take-Over Bids and Issuer Bids. The CSA Amendments extended the minimum take-over bid period to 105 days (from its current 35 days), with the ability of the target issuer to voluntarily reduce the take-over bid period to not less than 35 days. Additionally, the minimum period may be reduced due to the existence of certain competing take-over bids or alternative change in control transactions. The CSA Amendments also impose on take-over bids a minimum tender requirement of 50% of the outstanding securities of the class that are subject to the bid as well as a ten day extension requirement following satisfaction of the minimum tender requirement. As the Existing Rights Plan already provided for these latter conditions, the only substantive amendment to the Existing Rights Plan made by the Board was to extend the period of time a Permitted Bid must remain open to reflect changes made to the take-over bid regime by the CSA Amendments. To ensure the Permitted Bid definition in the Rights Plan remains aligned with the minimum period that a take-over bid must remain open under applicable Canadian securities laws, the proposed amendments to the Rights Plan include:

(a) amending the definition of Permitted Bid by changing, among other things, the reference to “60 days” therein to “105 days”;

(b) certain additional non-substantive, technical and administrative amendments, including to align the definition of a Competing Permitted Bid to the minimum number of days as required under Canadian securities laws.

The principal terms of the Rights Plan, including the proposed amendments, are set forth in Schedule “B” to this Circular. All capitalized terms used in this section of the Circular and in Schedule “B” have the meanings set forth in the Rights Plan, unless otherwise indicated. A copy of the Rights Plan, as proposed to be amended, may be obtained by contacting the Corporation at the address set forth at the end of this Circular.

**Purpose of the Rights Plan**

The primary objective of the Rights Plan is to encourage a potential acquirer in a take-over bid to proceed with their bid in accordance with Canadian take-over bid rules that satisfy certain minimum standards intended to promote fairness or have the approval of the Board by:

(a) protecting against “creeping bids” (the accumulation of more than 20% of the Shares through purchases exempt from Canadian take-over bid rules, such as (i) purchases from a small group of shareholders under private agreements at a
Agreement effective as of the date that the Rights Plan Resolution is passed.

the holders of Voting Shares of the Corporation excluding: (i) any Acquiring Person; (ii) any Person making a Take-over Bid; (iii) any profit sharing plan or any similar plan or trust for the benefit of employees of the Corporation or a subsidiary of the Corporation,

If the Rights Plan Resolution is passed at the Meeting, then the Corporation and CST Trust Company will execute the Rights Plan approval of the Rights Plan.

The Rights Plan provides that it must be approved by Independent Shareholders. “Independent Shareholders” means, generally, are currently Independent Shareholders and, accordingly, to the knowledge of the Corporation, all Shareholders may vote on the Shares are to be tendered to a Take-over Bid. To the knowledge of the Corporation, as of the date of this Circular, all Shareholders

By encouraging bids in accordance with Canadian take-over bid rules, the Board wants to allow Shareholders to benefit from the acquisition of a control position of 20% or more of the Shares, and allow the Board to have sufficient time to explore and develop all options for maximizing Shareholder value in the event that a person tries to acquire a control position in the Corporation. Under the Rights Plan, potential acquirers are prevented from acquiring effective control of the Corporation or a blocking position against other bidders except by way of a Permitted Bid.

It is not the intention of the Board in maintaining a shareholder rights plan for the Corporation to secure the continuance of existing Directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is fair and in the best interests of Shareholders. For example, through the Permitted Bid mechanism, described in more detail in Schedule “B” to this Circular, Shareholders may tender to a bid which meets the Permitted Bid criteria without triggering the Rights Plan, regardless of the acceptability of the bid to the Board. Furthermore, even in the context of a bid that does not meet the Permitted Bid criteria, the Board will continue to be bound to consider fully and fairly any bid for the Shares in any exercise of its discretion to waive application of the Rights Plan or redeem the Rights. In all such circumstances, the Board must act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders.

Neither the Existing Rights Plan nor the Rights Plan was adopted or approved in response to or in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. As of the date of this Circular, the Board is not aware of any third party considering or preparing any proposal to acquire control of the Corporation.

The Rights Plan does not interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In addition, the Rights Plan is not initially dilutive and is not expected to have any effect on the trading of Shares. However, if a Flip-In Event occurs and the Rights separate from the Shares, as described in Schedule “B”, reported earnings per share and reported cash flow per share on a fully-diluted or non-diluted basis may be affected. In addition, holders of Rights not exercising their Rights after a Flip-In Event may suffer substantial dilution.

The Rights Plan does not preclude any Shareholder from utilizing the proxy mechanism of applicable corporate law to promote a change in the management or direction of the Corporation, and has no effect on the rights of holders of outstanding Shares of the Corporation to requisition a meeting of Shareholders, in accordance with the provisions of applicable corporate and securities legislation, or to enter into agreements with respect to voting their Shares. The definitions of “Acquiring Person” and “Beneficial Ownership” have been developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of an overly-broad aggregating of holdings of institutional Shareholders and their clients.

In summary, the Board believes that the dominant effect of the Rights Plan will be to enhance Shareholder value and ensure equal treatment of all Shareholders in the context of an acquisition of control.

Approval

The Rights Plan provides that it must be approved by Independent Shareholders. “Independent Shareholders” means, generally, the holders of Voting Shares of the Corporation excluding; (i) any Acquiring Person; (ii) any Person making a Take-over Bid; (iii) any Affiliate or Associate of a Person referred to in clause (i) or (ii) above; (iv) any Person acting jointly or in concert with a Person referred to in clause (i) or (ii) above; and (v) a Person who is a trustee of any employee benefit plan, share purchase plan, deferred profit sharing plan or any similar plan or trust for the benefit of employees of the Corporation or a subsidiary of the Corporation, unless the beneficiaries of the plan or trust direct the manner in which the Voting Shares are to be voted or direct whether the Voting Shares are to be tendered to a Take-over Bid. To the knowledge of the Corporation, as of the date of this Circular, all Shareholders are currently Independent Shareholders and, accordingly, to the knowledge of the Corporation, all Shareholders may vote on the approval of the Rights Plan.

If the Rights Plan Resolution is passed at the Meeting, then the Corporation and CST Trust Company will execute the Rights Plan Agreement effective as of the date that the Rights Plan Resolution is passed.

If the Rights Plan Resolution is not passed at the Meeting, the Rights Plan will not come into effect and the Existing Plan will terminate and be of no further force and effect and the Corporation will no longer have any form of shareholder rights plan.

The Board reserves the right to alter any terms of or not to proceed with the Rights Plan at any time prior to the Meeting in the event that the Board determines that it would be in the best interests of the Corporation and its Shareholders to do so, in light of subsequent developments.

The Corporation reviewed the Rights Plan for conformity with current practices of Canadian companies with respect to shareholder rights plan design and recommendations for shareholder rights plans under the proxy voting guidelines of institutional investors. In the view of management of the Corporation, the Rights Plan conforms to current industry practices and the recommendations for shareholder rights plans under proxy guidelines of institutional investors.
Recommendation of the Board

The Board has determined that it continues to be in the best interests of the Corporation and the Shareholders that the Corporation have a shareholder rights plan, in the form of the Rights Plan. Accordingly, the Board unanimously recommends that the Shareholders vote in favour of the approval of the Rights Plan. In the absence of contrary instructions, the persons designated in the enclosed form of proxy intend to vote for the approval of the Rights Plan.

The text of the Rights Plan Resolution is set forth below:

“BE IT RESOLVED, as an ordinary resolution of the shareholders of Exchange Income Corporation (the “Corporation”), that:

1. the shareholder rights plan of the Corporation be continued and the Second Amended and Restated Shareholder Rights Plan Agreement to be made as of May 10, 2017 between the Corporation and CST Trust Company, as rights agent, which amends and restates the Amended and Restated Shareholder Rights Plan Agreement dated May 15, 2014, be and it is hereby authorized and approved; and

2. any one director or officer of the Corporation be and is hereby authorized for and on behalf of the Corporation 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 resolution.”

To be effective, the Rights Plan Resolution must be passed at the Meeting. The Directors recommend a vote FOR the approval of the Rights Plan. In the absence of a contrary instruction, the persons designated 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:  Non-Independent Directors are:
- Gary Filmon  - Michael Pyle (CEO)
- Donald Streuber  - Duncan Jessiman (Executive Vice-Chair)
- Gary Buckley
- Serena Kraayeveld
- Edward Warkentin
- Brad Bennett
- Jeffrey Olin
- Allan Davis

Gary Filmon is the Chair of the Board and is an Independent Director.

The Independent Directors hold regularly scheduled meetings at which the non-Independent Directors are not in attendance. These meetings take place at a minimum at every regularly scheduled meeting of the Board. In the financial year of the Corporation ended December 31, 2016, five such meetings were held.
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.

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.

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. 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. In 2016, Directors participated in a site visit and received presentations by management and external experts on topics of interest. In addition, the Corporation is a member of the Institute of Corporate Directors and all Directors have access to the educational programs and regular updates on current governance issues provided by this organization.

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 interest in a contract or transaction or proposed contract or transaction in which he has an interest in the manner provided by the Canada Business Corporations Act.

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. 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

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.

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 ten Directors is a woman, representing 10% of the Board. 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.

Nomination of Directors

The Governance Committee is responsible for the nomination of Directors, however, only Independent Directors participate in the nominating process and non-Independent Directors are excused from all matters related to that process. The Governance Committee is responsible for, among other things, reviewing the size and composition of the Board and, through its members who are Independent Directors, 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 and 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 Independent Directors of the Governance Committee conclude that the Board would benefit from a new Director, the Independent Directors of the Governance Committee will endeavor to find an appropriate candidate for nomination.

New Directors may be proposed by the Independent Directors of the Governance Committee following a search to identify appropriate candidates. If the Independent Directors of the Governance Committee determine 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.

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, Duncan Jessiman and Gary Filmon.

The Governance Committee’s key charter responsibilities include:

- the development of, and compliance with, corporate governance policies and procedures;
- through its members who are Independent Directors, 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 particularly 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 Independent Directors of the Governance Committee develop a list of potential candidates, typically generated through individual referrals, who possess the skills and experience required to meet the Corporation’s business needs.

- 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: 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 relating to the Board, its committees and each individual Director’s performance are circulated to each Director and the compiled results are used as a basis for discussion in these meetings.

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, 2017 which is available on SEDAR at www.sedar.com.

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.

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, Jeff Olin, Alex Ouskan (non-Director) and Polly Craik (non-Director). In order to provide additional experience to the Aerospace & Aviation Sector Advisory Committee, two non-Director individuals, namely Alex Ouskan and Polly Craik, have been appointed to the Aerospace & Aviation Sector Advisory Committee. Mr. Ouskan was appointed on November 12, 2012 and Ms. Craik was appointed on February 1, 2015. Mr. Ouskan attended 4 of 4 meetings of the Aerospace & Aviation Sector Advisory Committee in 2016. Ms. Craik attended 3 of 4 meetings of the Aerospace & Aviation Sector Advisory Committee in 2016.

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. During the year, the Corporation acquired all of the issued and outstanding shares of CarteNav Solutions Inc. and Team J.A.S., Inc. These acquisitions were both in the aerospace & aviation sector and, accordingly, the Aerospace & Aviation Sector Advisory Committee was involved in discussions surrounding the acquisitions and integration processes. This committee was also kept informed on the progress and eventual awarding 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.

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 4 of 4 meetings of the Manufacturing Sector Advisory Committee in 2016. Mr. Baines attended 4 of 4 meetings of the Manufacturing Sector Advisory Committee in 2016.

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.

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;
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. The goals identified, specifically for the CEO, are designed to align with the interests of the Shareholders. The goals identified, specifically for the CEO, are designed to align with the interests of the Shareholders.

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 Incentive Compensation.

**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 of 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. Currently the compensation program for senior management of the Corporation consists 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. The employment agreements of the Named Executive Officers do not prohibit the purchase of financial instruments that would be designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer. However, the Corporation's Insider Trading Policy states there shall be no speculation by insiders in the Corporation's securities. 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.

**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 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 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. The employment agreements of the Named Executive Officers do not prohibit the purchase of financial instruments that would be designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer. However, the Corporation's Insider Trading Policy states there shall be no speculation by insiders in the Corporation's securities. 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.

**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.

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 2016.

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 the Named Executive Officers 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 the Other Named 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 of the Other Named Executives are 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 Other Named Executive.

**Long-Term Incentive Compensation**

The Corporation utilizes the Deferred Share Plan to align the interests of the Named Executive Officers with those of its Shareholders. The Corporation has historically not utilized any security option programs. Under the Deferred Share Plan, Named Executive Officers are granted Deferred Shares. The Deferred Shares are subject to escrow and vest evenly over a three year period unless the Named Executive Officer 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 $0.175 per month ($2.10 annualized).

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. 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 the Other Named Executives are determined by the CEO and are approved in aggregate by the Compensation Committee.

**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.

The Compensation Committee has used Aon Consulting 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. AON was not used in 2016 but has been engaged for 2017.

AON does not generally provide any services to the Corporation other than compensation consulting services. However, in July of 2015, the Corporation engaged Aon Global Risk Consulting to assist with certain purchase price adjustments in connection with the sale of WestTower Communications Inc. by the Corporation. As compensation consultants to the Corporation do not frequently provide services to the Corporation other than compensation consulting, and are not anticipated to do so in the future, there is no requirement that the Board or the Compensation Committee pre-approve any non-compensation consulting services to be provided by any compensation consultant to the Corporation.
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. Based on the strong performance of the Corporation in 2016, the performance based compensation for Mr. Pyle was also considered strong.

The incentive calculation for Mr. Pyle targets short-term and long-term levels as a percentage base of his annual salary. For 2016, the short-term target of his base salary was 60% and the long-term target of his base salary was 130%. 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 1.5. 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 various goals given to Mr. Pyle for 2016 included the following:

**Short-term**
- Financial performance of the Corporation’s key financial metrics
- Development of detailed succession plan for the Corporation
- Financial performance of certain entities within the aerospace & aviation sector

**Long-term**
- Investor relations
- Long term strategic initiatives
- Increased participation in the ESPP
- Strategic plan and reporting on certain entities within the aerospace & aviation sector

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.

Performance Graph

January 1, 2012 to December 31, 2016, the total cumulative return on the Shares was 234%, compared to a return of 148% 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 74%.

Option-Based Awards and Share-Based Awards

The Corporation does not issue any Option-Based Awards to its Named Executive Officers. The Corporation’s long-term incentive compensation includes the Deferred Share Plan where Named Executive Officers are granted Deferred Shares. The Compensation Committee determines the amounts granted to the Executive Vice-Chair and the CEO. The amounts granted to the Other Named 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. 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 Named Executive Officer 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.

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 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.

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.

The Compensation Committee currently consists of Gary Buckley, Brad Bennett, Edward Warkentin and Jeff Olin, 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 consultan service 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.

In accordance with its charter, the Compensation Committee undertook a number of key activities in 2016, 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.

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

The Board considered the compensation decisions of the Compensation Committee for the 2016 period and it is satisfied with those decisions as being fair and reasonable given the performance of the Corporation.

During 2016, the Board adopted mandatory minimum share ownership requirements for the CEO and certain senior executives to more clearly demonstrate that their personal interests are aligned with those of the Shareholders. The CEO must beneficially own, directly or indirectly, Shares and/or Deferred Shares with a value of three times his/her base salary. Other specified executives must own, directly or indirectly, Shares and/or Deferred Shares with a value of one and a half 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. The Compensation Committee shall review the executives’ actual shareholdings annually to measure compliance with the policy.

Executive Compensation-Related Fees

As described above, the Corporation has used the services of AON as a compensation consultant in 2015 but not in 2016. The cost of the services in 2015 was $15,000 and was expensed as executive compensation related fees in the financial results of the Corporation.

All Other Fees

In addition to the compensation consulting fees paid to AON in 2015, the Corporation paid Aon Global Risk Consulting $38,395.97 in 2015 to assist with certain purchase price adjustments in connection with the sale of WesTower Communications Inc. (2016 – Nil). See “Executive Compensation – Compensation Discussion and Analysis – CEO Compensation”.

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, 2014, December 31, 2015 and December 31, 2016.
### Table

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Share-Based Awards ($)</th>
<th>Option-Based Awards ($)</th>
<th>Non-equity incentive plan compensation ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Pyle, CEO</td>
<td>2016</td>
<td>633,246</td>
<td>951,600</td>
<td>Nil</td>
<td>475,800</td>
<td>Nil</td>
<td>Nil</td>
<td>2,060,646</td>
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<tr>
<td></td>
<td>2015</td>
<td>599,596</td>
<td>996,044</td>
<td>Nil</td>
<td>641,625</td>
<td>Nil</td>
<td>Nil</td>
<td>2,237,265</td>
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<tr>
<td></td>
<td>2014</td>
<td>578,763</td>
<td>641,669</td>
<td>Nil</td>
<td>343,750</td>
<td>Nil</td>
<td>Nil</td>
<td>1,564,182</td>
</tr>
<tr>
<td>Tamara Schock, CFO</td>
<td>2016</td>
<td>488,916</td>
<td>225,000</td>
<td>Nil</td>
<td>168,750</td>
<td>Nil</td>
<td>Nil</td>
<td>882,666</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>70,775</td>
<td>50,000</td>
<td>Nil</td>
<td>50,000</td>
<td>Nil</td>
<td>Nil</td>
<td>170,775</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Carmele Peter, President</td>
<td>2016</td>
<td>537,390</td>
<td>836,000</td>
<td>Nil</td>
<td>413,400</td>
<td>Nil</td>
<td>Nil</td>
<td>1,586,790</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>503,121</td>
<td>665,000</td>
<td>Nil</td>
<td>535,000</td>
<td>Nil</td>
<td>Nil</td>
<td>1,703,121</td>
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<tr>
<td></td>
<td>2014</td>
<td>461,454</td>
<td>405,000</td>
<td>Nil</td>
<td>281,250</td>
<td>Nil</td>
<td>Nil</td>
<td>1,147,704</td>
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<tr>
<td>Doron Marom, CEO of Regional One, Inc.</td>
<td>2016</td>
<td>756,991</td>
<td>140,000</td>
<td>Nil</td>
<td>326,894</td>
<td>Nil</td>
<td>Nil</td>
<td>1,223,885</td>
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<tr>
<td></td>
<td>2015</td>
<td>727,638</td>
<td>140,000</td>
<td>Nil</td>
<td>483,386</td>
<td>Nil</td>
<td>Nil</td>
<td>1,351,024</td>
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<td></td>
<td>2014</td>
<td>596,430</td>
<td>135,000</td>
<td>Nil</td>
<td>298,215</td>
<td>Nil</td>
<td>Nil</td>
<td>1,029,645</td>
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<tr>
<td>Brian Chafe, CEO of Provincial Aerospace Ltd.</td>
<td>2016</td>
<td>333,985</td>
<td>Nil</td>
<td>767,044</td>
<td>25,000</td>
<td>Nil</td>
<td>1,126,029</td>
<td></td>
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<tr>
<td></td>
<td>2015</td>
<td>319,447</td>
<td>Nil</td>
<td>677,967</td>
<td>24,930</td>
<td>Nil</td>
<td>1,022,344</td>
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<tr>
<td></td>
<td>2014</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

**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.
3. Ms. Peter joined the Corporation as Chief Administrative Officer in October 2012 and was appointed as President in July 2014.
4. Regional One, Inc., a US based corporation, was acquired by the Corporation in April 2013. 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 (2016 – US$1:$1.3248).
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 2016 (1st anniversary) totaled $460,000 and are excluded from the information in the table above as are the payments during 2015 ($460,000).

**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, 2016). The Corporation does not have any issued and outstanding Option-Based Awards.
<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($)</th>
<th>Number of shares that have not vested (#)</th>
<th>Market or payout value of Share-Based Awards that have not vested ($)</th>
<th>Market or payout value of vested Share-Based Awards not paid out or distributed ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Pyle</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>70,197</td>
<td>2,930,719</td>
<td>3,867,845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tamara Schock</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>2,109</td>
<td>88,057</td>
<td>Nil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carmele Peter</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>46,633</td>
<td>1,946,936</td>
<td>893,604</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doron Marom</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>12,346</td>
<td>515,448</td>
<td>258,061</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brian Chafe</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Share-Based Awards in the table above exclude grants to these individuals from the Corporation's Deferred Share Plan made in respect of 2016 as they were granted in the spring of 2017 following the finalization of 2016’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 30, 2016 and valued using the market price of the Shares on that date ($41.75).

**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 Named Executive Officer.

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-Based Awards – Value vested during the year ($)</th>
<th>Share-Based Awards – Value vested during the year ($)</th>
<th>Non-equity incentive plan compensation – Value earned during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Pyle</td>
<td>Nil</td>
<td>1,182,982</td>
<td>475,800</td>
</tr>
<tr>
<td>Tamara Schock</td>
<td>Nil</td>
<td>Nil</td>
<td>168,750</td>
</tr>
<tr>
<td>Carmele Peter</td>
<td>Nil</td>
<td>576,573</td>
<td>413,400</td>
</tr>
<tr>
<td>Doron Marom</td>
<td>Nil</td>
<td>180,483</td>
<td>326,894</td>
</tr>
<tr>
<td>Brian Chafe</td>
<td>Nil</td>
<td>Nil</td>
<td>767,044</td>
</tr>
</tbody>
</table>

The value of the Share-Based Awards is valued using the market price of the Shares on December 30, 2016 ($41.75).

**Narrative Discussion**

The outstanding Share-Based Awards referenced above were issued pursuant to the Deferred Share Plan. See “Securities Authorized Under Equity Compensation Plans – 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, 2016.

**Termination and Change of Control Benefits**

The Corporation is a party to employment agreements (the “Employment Agreements”) with all 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:

<table>
<thead>
<tr>
<th></th>
<th>Michael Pyle</th>
<th>Tamara Schock</th>
<th>Carmele Peter</th>
<th>Doron Marom</th>
<th>Brian Chafe(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>24 months</td>
<td>Highest annual employment income in previous five years</td>
</tr>
<tr>
<td><strong>Short-term Incentive</strong></td>
<td>2.5 times target set by the Board</td>
<td>1.5 times previous 3 year average</td>
<td>2.0 times target set by the CEO</td>
<td>Prior 2 years average prorated to termination date</td>
<td></td>
</tr>
<tr>
<td><strong>Car allowance</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>Nil</td>
<td>12 months</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>Nil</td>
<td>24 months</td>
</tr>
<tr>
<td><strong>Estimated Payment December 31, 2016</strong></td>
<td>$2,497,720</td>
<td>$839,905</td>
<td>$1,619,904</td>
<td>$1,159,697(^{(2)})</td>
<td>$1,126,029</td>
</tr>
</tbody>
</table>

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 2016 (US$1:$1.3248).

If at any time during the term of the Employment Agreements there is a change of control of the Corporation, certain Named Executive Officers, namely Michael Pyle, Tamara Schock, Carmele Peter and Brian Chafe, are entitled to terminate their employment by the giving of notice to that effect. In that event, or if the Corporation terminates an Employment Agreement following a change of control, the person is entitled to an amount equal to the sum of:

<table>
<thead>
<tr>
<th></th>
<th>Michael Pyle</th>
<th>Tamara Schock</th>
<th>Carmele Peter</th>
<th>Doron Marom</th>
<th>Brian Chafe(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>Nil</td>
<td>2.0 times highest annual employment income in previous five years</td>
</tr>
<tr>
<td><strong>Short-term Incentive</strong></td>
<td>2.5 times target set by the Board</td>
<td>1.5 times previous 3 year average</td>
<td>2.0 times target set by the CEO</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td><strong>Car allowance</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>Nil</td>
<td>24 months</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>30 months</td>
<td>18 months</td>
<td>24 months</td>
<td>Nil</td>
<td>24 months</td>
</tr>
<tr>
<td><strong>Estimated Payment December 31, 2016</strong></td>
<td>$2,497,720</td>
<td>$839,905</td>
<td>$1,619,904</td>
<td>Nil</td>
<td>$2,252,058</td>
</tr>
<tr>
<td><strong>Time limitation to decide</strong></td>
<td>Within one year</td>
<td>Within one year</td>
<td>Within one year</td>
<td>NA</td>
<td>Within 30 days</td>
</tr>
</tbody>
</table>

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.

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 addition, each of the Employment Agreements contains standard non-competition and confidentiality clauses from the Named Executive Officers in favour of the Corporation.
Director Compensation

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees earned ($)</th>
<th>Share-Based Awards ($)</th>
<th>Option-Based Awards ($)</th>
<th>Non-equity incentive plan compensation ($)</th>
<th>Pension value ($)</th>
<th>All other compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brad Bennett</td>
<td>83,250</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>123,250</td>
</tr>
<tr>
<td>Gary Buckley</td>
<td>93,500</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>133,500</td>
</tr>
<tr>
<td>Allan Davis</td>
<td>82,000</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>122,000</td>
</tr>
<tr>
<td>Gary Filmon</td>
<td>117,750</td>
<td>99,500</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>217,250</td>
</tr>
<tr>
<td>Duncan Jessiman</td>
<td>248,400</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>248,400</td>
</tr>
<tr>
<td>Serena Kraayeveld</td>
<td>98,000</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>138,000</td>
</tr>
<tr>
<td>Jeffrey Olin</td>
<td>86,500</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>126,500</td>
</tr>
<tr>
<td>Donald Streuber</td>
<td>109,000</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>149,000</td>
</tr>
<tr>
<td>Edward Warkentin</td>
<td>82,750</td>
<td>40,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>122,750</td>
</tr>
</tbody>
</table>

Note:  
(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.

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

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

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 $35,000,000 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 $20,000,000 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, 2016 was $111,739.

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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-Based Awards</th>
<th>Share-Based Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of securities underlying unexercised options (#)</td>
<td>Option exercise price ($)</td>
</tr>
<tr>
<td>Brad Bennett</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Gary Buckley</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Allan Davis</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Gary Filmon</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Duncan Jessiman</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Serena Kraayeveld</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Jeffrey Olin</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Donald Streuber</td>
<td>Nil</td>
<td>NA</td>
</tr>
<tr>
<td>Edward Warkentin</td>
<td>Nil</td>
<td>NA</td>
</tr>
</tbody>
</table>

Note:
(1) The value of the Share-Based Awards is based on each Director’s accumulated Deferred Shares as at December 30, 2016 and valued using the market price of the Shares on that date ($41.75).

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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-Based Awards – Value vested during the year ($)</th>
<th>Share-Based Awards – Value vested during the year ($)</th>
<th>Non-equity incentive plan compensation – Value earned during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brad Bennett</td>
<td>Nil</td>
<td>86,756</td>
<td>Nil</td>
</tr>
<tr>
<td>Gary Buckley</td>
<td>Nil</td>
<td>86,756</td>
<td>Nil</td>
</tr>
<tr>
<td>Allan Davis</td>
<td>Nil</td>
<td>79,614</td>
<td>Nil</td>
</tr>
<tr>
<td>Gary Filmon</td>
<td>Nil</td>
<td>208,478</td>
<td>Nil</td>
</tr>
<tr>
<td>Duncan Jessiman</td>
<td>Nil</td>
<td>87,437</td>
<td>Nil</td>
</tr>
<tr>
<td>Serena Kraayeveld</td>
<td>Nil</td>
<td>86,756</td>
<td>Nil</td>
</tr>
<tr>
<td>Jeffrey Olin</td>
<td>Nil</td>
<td>82,836</td>
<td>Nil</td>
</tr>
<tr>
<td>Donald Streuber</td>
<td>Nil</td>
<td>86,756</td>
<td>Nil</td>
</tr>
<tr>
<td>Edward Warkentin</td>
<td>Nil</td>
<td>86,756</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Note:
(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 30, 2016 ($41.75).
Narrative Discussion

The outstanding Share-Based Awards referenced above were issued pursuant to the Deferred Share Plan. See “Securities Authorized Under Equity Compensation Plans – 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, 2016.

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</th>
<th>Weighted-average price of outstanding options, warrants and rights (b)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by securityholders (1)</td>
<td>541,708</td>
<td>$41.75 (2)</td>
<td>578,828(3)</td>
</tr>
<tr>
<td>Equity compensation plans not approved by securityholders</td>
<td>Nil</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>541,708</td>
<td>$41.75</td>
<td>578,828</td>
</tr>
</tbody>
</table>

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 31, 2016.
(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 Deferred Share Plan and the ESPP.

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.

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 3,114,372 (10% of the issued and outstanding Shares). As at the date hereof there are 631,718
Deferred Shares (2.0% of the issued and outstanding Shares) issued and outstanding and 115,971 Shares held pursuant to the ESPP (0.3% of the issued and outstanding Shares). Therefore, an additional 2,366,683 Shares (7.7% of the issued and outstanding Shares) may be reserved for issuance under the Deferred Share Plan and the ESPP, collectively. Currently, 465,796 Shares have been reserved for issuance with the TSX under the Deferred Share Plan and 113,032 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 62,669 Shares pursuant to the Deferred Share Plan (0.2% of the issued and outstanding Shares).

**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;

(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 Deferred Share Plan which is available on SEDAR at www.sedar.com.

**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.

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.

**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 $0.175 per month ($2.10 annualized).

**Operation of ESPP**

Employees of the Corporation and its subsidiaries who are Canadian residents may be entitled to receive a loan to purchase the Original Shares pursuant to the ESPP. Employees of the Corporation and its subsidiaries who are not Canadian residents are not eligible to receive a loan in connection with 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 3,114,372 (10% of the issued and outstanding Shares). As at the date hereof there are 115,971 Shares held pursuant to the ESPP (0.3% of the issued and outstanding Shares) and 631,718 Deferred Shares issued and outstanding (2.0% of the issued and outstanding Shares). Therefore, an additional 2,366,683 Shares (7.7% of the issued and outstanding Shares) may be reserved for issuance under the ESPP and the Deferred Share Plan, collectively. Currently, 113,032 Shares have been reserved for issuance with the TSX under the ESPP and 465,796 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 489,968 Shares pursuant to the ESPP (1.6% of the issued and outstanding Shares).

The total maximum number of Shares that may be issuable under the ESPP shall 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.

**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 must be approved by a majority of the Directors. 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. Examples of amendments to the ESPP that may be made by the Compensation Committee without approval of the Shareholders include amendments: (a) to correct errors, immaterial inconsistencies or ambiguities in the ESPP text; and (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements and policies).

In addition, the ESPP provides that 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, 2016.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

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

Property Leases

Various entities lease several buildings from related parties who were vendors of the entity that the Corporation purchased the businesses from originally. These vendors are considered related parties because of their continued involvement in the management of those businesses. In addition, the Corporation leases office space for its head office from a company controlled by a Director. These leases are considered to be at market terms and recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2016 under these leases was $3.4 million (2015 – $3.1 million) and the lease term maturities range from 2017 to 2020. The expense is recorded within general and administrative expenses and is paid monthly, therefore no balance exists on the Corporation’s statement of financial position (2015 – nil).

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).

Compensation awarded to key management for the 2016 fiscal year and the comparative 2015 fiscal year is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2016</th>
<th>Fiscal 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and short-term benefits</td>
<td>$5,118,000</td>
<td>$5,865,000</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>$2,447,000</td>
<td>$1,902,000</td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$7,565,000</td>
<td>$7,767,000</td>
</tr>
</tbody>
</table>

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 2018 is January 4, 2018. 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, 2016. Copies of these and other documents may be obtained from the CEO of the Corporation upon request to the address set out below. The Corporation may require a non-Shareholder to pay a reasonable charge for the material requested. This and other additional information relating to the Corporation may also be found on SEDAR at 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, 2017
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"

SECOND AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN

Summary of Key Features

The following is a summary of the features of the Rights Plan proposed to be implemented pursuant to a second amended and restated shareholder rights plan agreement to be dated as of May 10, 2017 (the “Rights Plan Agreement”) between the Corporation and CST Trust Company, as rights agent. The summary is qualified in its entirety by the full text of the Rights Plan, a copy of which is available from the Corporation as described in the Circular. All defined terms, where used in this summary without definition, have the meanings attributed to them in the Rights Plan Agreement.

Issuance of Rights

One Right was issued by the Corporation in respect of each Common Share outstanding at the close of business on May 13, 2011, and one Right was issued and will continue to be issued in respect of each Common Share of the Corporation issued thereafter, prior to the earlier of the Separation Time and the Expiration Time. Under the Rights Plan, the Rights are simply reconfirmed and the Corporation reconfirms its authorization to continue the issuance of new Rights for each Common Share issued. Each Right entitles the registered holder thereof to purchase one Common Share from the Corporation. The exercise price under the Rights Plan is, (i) until the Separation Time, an amount equal to three times the market price per Common Share, and (ii) after the Separation Time, an amount equal to three times the market price (determined in accordance with Rights Plan) as at the Separation Time, per Common Share (the “Exercise Price”).

The Rights are not exercisable until the Separation Time. If a Flip-In Event occurs, each Right will entitle the registered holder to receive, upon payment of the Exercise Price, Common Shares of the Corporation having an aggregate market price equal to twice the Exercise Price.

The Rights Plan provides that the Corporation is not required to issue or deliver Rights, or securities upon the exercise of Rights, outside of Canada or the United States, where such issuance or delivery would be unlawful without registration of the relevant Persons or securities. If the Rights Plan would require compliance with securities laws or comparable legislation of a jurisdiction outside of Canada and the United States, the Board of Directors may establish procedures for the issuance to a Canadian resident fiduciary of such securities, to hold such Rights or other securities in trust for the Persons beneficially entitled to them, to sell such securities, and to remit the proceeds to such Persons.

As a condition to the issuance of Common Shares (or any other Voting Shares) upon the exercise of Rights, the Rights Agent or the Corporation may in its sole discretion require the registered holder of the Rights to complete and submit a duly executed declaration with respect to whether the beneficial owner of the Rights being exercised is not a Canadian or not a Resident of Canada and for the purposes of the Rights Plan:

(a) “Canadian” means a Canadian citizen or a permanent resident within the meaning of subsection 2(1) of the Immigration and Refugee Protection Act (Canada), as amended or replaced, a government in Canada or an agent of such a government or a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians and of which at least seventy-five percent, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians; and

(b) “Non-resident of Canada” means:

(i) an individual, other than a Canadian citizen, who is not ordinarily resident in Canada;

(ii) a corporation incorporated, formed and otherwise organized outside Canada;

(iii) a foreign government or an agency thereof;

(iv) a corporation that is controlled by Non-Residents of Canada, directly or indirectly, described in (ii) or (iii) above;

(v) a trust: (i) established by a Non-resident of Canada described in (ii) to (iv) above, other than a trust for the administration of a pension fund for the benefit of individuals, a majority of whom are Residents of Canada; or (ii) in which Non-residents of Canada described in (i) to (iv) above have more than 50% of the beneficial interest; or

(vi) a corporation that is controlled by a trust described in (v) above; and

(c) “Resident of Canada” means a person who is not a Non-resident of Canada;

and the holder of the Rights shall not be entitled to receive any Common Shares (or other Voting Shares) upon the exercise of the Rights if issuance of such Shares would result in a breach of the constating documents of the Corporation or any applicable law to which it is subject.

Trading of Rights
Until the Separation Time (or the earlier termination or expiration of the Rights), the Rights will be evidenced by the certificates representing the Common Shares of the Corporation and will be transferable only together with the associated Common Shares. From and after the Separation Time, separate certificates evidencing the Rights (“Rights Certificates”), together with a disclosure statement prepared by the Corporation describing the Rights, will be mailed to holders of record of Common Shares (other than an Acquiring Person) as of the Separation Time. Rights Certificates will also be issued in respect of Common Shares issued prior to the Expiration Time, to each holder (other than an Acquiring Person) converting, after the Separation Time, securities (“Convertible Securities”) convertible into or exchangeable for Common Shares. The Rights will trade separately from the Common Shares after the Separation Time.

Separation Time

The Separation Time is the Close of Business on the tenth Business Day after the earlier of (i) the “Stock Acquisition Date”, which is generally the first date of public announcement of facts indicating that a Person has become an Acquiring Person, (ii) the date of the commencement of, or first public announcement of the intent of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence a Take-over Bid (other than a Permitted Bid or a Competing Permitted Bid, so long as such bid continues to satisfy the requirements of a Permitted Bid or Competing Permitted Bid) and (iii) the date upon which a Permitted Bid ceases to be a Permitted Bid. In any case, the Separation Time can be such later date as may be determined by the Board of Directors. If a Take-over Bid expires, is cancelled, terminated or otherwise withdrawn prior to the Separation Time, it shall be deemed never to have been made.

Acquiring Person

In general, an Acquiring Person is a Person who is the Beneficial Owner of 20% or more of the Corporation’s outstanding Voting Shares (defined as any Shares entitling the holder to vote for the election of all directors, generally). Excluded from the definition of “Acquiring Person” are the Corporation and its Subsidiaries, and any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or more or any combination of an acquisition or redemption by the Corporation of Voting Shares, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition and a Pro Rata Acquisition. The definitions of “Permitted Bid Acquisition”, “Exempt Acquisition”, “Convertible Security Acquisition” and “Pro Rata Acquisition” are set out in the Rights Plan Agreement. However, in general:

(a) a “Permitted Bid Acquisition” means an acquisition of Voting Shares made pursuant to a Permitted Bid or a Competing Permitted Bid;

(b) an “Exempt Acquisition” means a share acquisition (i) in respect of which the Board of Directors has waived the application of the Rights Plan pursuant to the provisions of the Rights Plan; (ii) pursuant to a dividend reinvestment plan of the Corporation; (iii) pursuant to the receipt or exercise of rights issued by the Corporation to all holders of Voting Shares to subscribe for or purchase Voting Shares or Convertible Securities, provided that the Person does not thereby acquire a greater percentage of Voting Shares or Convertible Securities so offered than the Person’s percentage of Voting Shares or Convertible Securities Beneficially Owned immediately prior to such acquisition; (iv) pursuant to a distribution by the Corporation of Voting Shares or Convertible Securities by way of prospectus or private placement by the Corporation, provided that the Person does not thereby acquire (or is deemed to Beneficially Own) a greater percentage of Voting Shares so offered than the Person’s percentage of Voting Shares Beneficially Owned immediately prior to such acquisition; or (v) upon the exercise of stock options granted under a stock option plan of the Corporation or rights to purchase securities granted under a share purchase plan of the Corporation;

(c) a “Convertible Security Acquisition” means an acquisition of Voting Shares upon the exercise of Convertible Securities received by such Person pursuant to a Permitted Bid Acquisition, Exempt Acquisition or a Pro Rata Acquisition; and

(d) a “Pro Rata Acquisition” means an acquisition of Voting Shares or Convertible Securities as a result of a stock dividend, a stock split or other similar event, acquired on the same pro rata basis as all other holders of Voting Shares.

Also excluded from the definition of “Acquiring Person” are underwriters or members of a banking or selling group acting in connection with a distribution of securities by way of prospectus or private placement.

To the best of the knowledge of the directors and senior officers of the Corporation, as of the date hereof, no person is the Beneficial Owner of 20% or more of the outstanding Voting Shares.

Beneficial Ownership

In general, a Person is deemed to Beneficially Own Common Shares actually held by others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the Person’s Affiliates (generally, a person that controls, is controlled by, or is under common control with another person) and Associates (generally, relatives sharing the same residence). Also included are securities which the Person or any of the Person’s Affiliates or Associates has the right to acquire within 60 days (other than (a) customary agreements with and between underwriters and/or banking group and/or selling group members with respect to a public offering or private placement of securities, or (b) pursuant to a pledge of securities).

A Person is also deemed to “Beneficially Own” any securities that are Beneficially Owned (as described above) by any other Person with which the Person is acting jointly or in concert (a “Joint Actor”). A Person is a Joint Actor with any Person who is a party to an agreement, arrangement or understanding with the first Person or an Associate or Affiliate thereof for the purpose of acquiring or offering to acquire Common Shares.
(a) Institutional Shareholder Exemptions from Beneficial Ownership

The definition of "Beneficial Ownership" contains several exclusions whereby a Person is not considered to "Beneficially Own" a security. There are exemptions from the deemed "Beneficial Ownership" provisions for institutional shareholders acting in the ordinary course of business. These exemptions apply to: (i) an investor management (“Investment Manager”) which holds securities in the ordinary course of business in the performance of its duties for the account of any other Person, including the acquisition or holding of securities for non-discretionary accounts held on behalf of a client by a broker or dealer registered under applicable securities law; (ii) a licensed trust company (“Trust Company”) acting as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent Persons or in relation to other accounts (each an "Other Account") and which holds such securities in the ordinary course of its duties for such accounts; (iii) the administrator or the trustee (a “Plan Trustee”) of one or more pension funds or plans (a “Plan”) registered under applicable law; (iv) a Person who is a Plan or is a Person established by statute (the "Statutory Body") and its ordinary business or activity includes the management of investment funds for employee benefit plans, pension plans, insurance plans, or various public bodies, or (v) a Crown agent or agency. The foregoing exemptions only apply so long as the Investment Manager, Trust Company, Plan Trustee, Plan, Statutory Body or Crown agent or agency is not then making or has not then announced an intention to make a Take-over Bid, other than an Offer to Acquire Voting Shares or other securities pursuant to a distribution by the Corporation or by means of ordinary market transactions.

A Person will not be deemed to “Beneficially Own" a security because (i) the Person is a client of or has an account with the same Investment Manager, or where such Person is a client of or has an account with the same Trust Company, or Plan with the same Plan Trustee as another Person or Plan on whose account the Investment Manager, Trust Company or Plan Trustee, as the case may be, holds such security; (ii) the Person is a client of an Investment Manager, an account of a Trust Company or a Plan, and the security is owned at law or in equity by the Investment Manager, Trust Company or Plan Trustee, as the case may be; or (iii) the Person is the registered holder of securities as a result of carrying on the business of or acting as nominee of a securities depository.

(b) Exemption for Permitted Lock-up Agreement

A Person will not be deemed to “Beneficially Own" any security where the holder of such security has agreed to deposit or tender such security pursuant to a Permitted Lock-up Agreement in respect of a Take-over Bid made by such Person or any of such Person's Affiliates or Associates or a Joint Actor, or such security has been deposited or tendered pursuant to a Take-over Bid made by such Person or such Person's Affiliates, Associates or Joint Actors until the earliest time at which any such tendered security is accepted unconditionally for payment or is taken up and paid for.

A Permitted Lock-up Agreement is essentially an agreement between a Person and one or more holders of Voting Shares and/or Convertible Securities (the terms of which are publicly disclosed and made available to the public within the time frames set forth in the definition of Permitted Lock-up Agreement) pursuant to which each Locked-up Person agrees to deposit or tender Voting Shares and/or Convertible Securities to the Lock-up Bid and which further provides that such agreement permits the Locked-up Person to withdraw its Voting Shares and/or Convertible Securities in order to deposit or tender the Voting Shares to another Take-over Bid or support another transaction: (i) at a price or value that exceeds the price under the Lock-Up Bid; or (ii) is for a number of Voting Shares or Convertible Securities at least 7% greater than the number of Voting Shares or Convertible Securities under the Lock-Up Bid at a price or value that is not less than the price or value offered under the Lock-up Bid; or (iii) (A) that contains an offering price for each Voting Share or Convertible Security that exceeds by as much as or more than a specified amount (the "Specified Amount") the offering price for each Voting Share or Convertible Security contained in or proposed to be contained in the Lock-up Bid and (B) does not by itself provide for a Specified Amount that is greater than 7% of the offering price contained in or proposed to be contained in the Lock-up Bid.

A Permitted Lock-up Agreement may contain a right of first refusal or require a period of delay to give the Person who made the Lock-up Bid an opportunity to match a higher price in another Take-over Bid or transaction or other similar limitation on a Locked-up Person's right to withdraw Voting Shares and/or Convertible Securities so long as the limitation does not preclude the exercise by the Locked-up Person of the right to withdraw Voting Shares during the period of the other Take-over Bid or transaction. Finally, under a Permitted Lock-up Agreement no "break up" fees, "top up" fees, penalties, expenses or other amounts that exceed in aggregate the greater of: (A) 2.5% of the price or value of the consideration payable under the Lock-up Bid; and (B) 50% of the amount by which the price or value of the consideration received by a Locked-up Person under another Take-over Bid or transaction exceeds what such Locked-up Person would have received under the Lock-up Bid; will be payable by such Locked-up Person if the Locked-up Person fails to deposit or tender Voting Shares to the Lock-up Bid or withdraws Voting Shares and/or Convertible Securities previously tendered thereto in order to deposit such Voting Shares to another Take-over Bid or support another transaction.

Flip-In Event

A Flip-In Event occurs when any Person becomes an Acquiring Person. In the event that, prior to the Expiration Time, a Flip-In Event which has not been waived by the Board of Directors occurs (see “Redemption, Waiver and Termination”), each Right (except for Rights Beneficially Owned or which may thereafter be Beneficially Owned by an Acquiring Person or a transferee of such a Person, which Rights will become null and void) shall constitute the right to purchase from the Corporation, upon exercise thereof in accordance with the terms of the Rights Plan, that number of Common Shares having an aggregate Market Price on the date of the Flip-In Event equal to twice the Exercise Price, for the Exercise Price (such Right being subject to anti-dilution adjustments). For example, if at the time of the Flip-In Event the Exercise Price is $60 and the Market Price of the Common Shares is $20, the holder of each Right would be entitled to purchase Common Shares having an aggregate market price of $120 (that is, 6 Common Shares) for $60 (that is, a 50% discount from the market price).
Permitted Bid and Competing Permitted Bid

A Permitted Bid is a Take-over Bid made by way of a Take-over Bid circular and which complies with the following additional provisions:

(a) the Take-over Bid is made to all holders of record of Voting Shares, other than the Offeror;

(b) the Take-over Bid contains irrevocable and unqualified conditions that:

(i) no Voting Share shall be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 105 days following the date of the Take-over Bid, or such shorter period that a take-over bid must remain open for deposits of securities in the applicable circumstances pursuant to Canadian securities laws, and the provisions for the take-up and payment for Voting Shares tendered or deposited thereunder shall be subject to such irrevocable and unqualified condition;

(ii) unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Voting Shares and that all Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such date;

(iii) more than 50% of the outstanding Voting Shares held by Independent Shareholders must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Voting Shares; and

(iv) in the event that more than 50% of the then outstanding Voting Shares held by Independent Shareholders shall have been deposited to the Take-over Bid and not withdrawn as at the date of first take-up or payment for Voting Shares under the Take-over Bid, the Offeror will make a public announcement of that fact and the Take-over Bid will remain open for deposits and tenders of Voting Shares for not less than 10 days from the date of such public announcement.

A Competing Permitted Bid is a Take-over Bid that is made after a Permitted Bid has been made but prior to its expiry and satisfies all the requirements of a Permitted Bid as described above, except that a Competing Permitted Bid is not required to remain open for 105 days so long as it is open for the minimum number of days that a take-over bid must be open for acceptance under applicable Canadian securities laws.

Redemption, Waiver and Termination

Certain rights of redemption, waiver and termination are as follows:

(a) Redemption of Rights on Approval of Holders of Voting Shares and Rights. The Board of Directors acting in good faith may, after having obtained the prior approval of the holders of Voting Shares or Rights, at any time prior to the occurrence of a Flip-In Event, elect to redeem all but not less than all of the then outstanding Rights at a redemption price of $0.0001 per Right, appropriately adjusted for anti-dilution as provided in the Rights Plan (the “Redemption Price”).

(b) Waiver of Inadvertent Acquisition. The Board of Directors acting in good faith may waive the application of the Rights Plan in respect of the occurrence of any Flip-In Event if (i) the Board of Directors has determined that a Person became an Acquiring Person under the Rights Plan by inadvertence and without any intent or knowledge that it would become an Acquiring Person; and (ii) the Acquiring Person has reduced its Beneficial Ownership of Voting Shares such that at the time of waiver the Person is no longer an Acquiring Person.

(c) Deemed Redemption. In the event that a Person who has made a Permitted Bid or a Take-over Bid in respect of which the Board of Directors has waived or has deemed to have waived the application of the Rights Plan consummates the acquisition of the Voting Shares, the Board of Directors shall be deemed to have elected to redeem the Rights for the Redemption Price.

(d) Discretionary Waiver with Mandatory Waiver of Concurrent Bids. The Board of Directors acting in good faith may, prior to the occurrence of the relevant Flip-In Event as to which the Rights Plan has not been waived under this clause, upon prior written notice to the Rights Agent, waive the application of the Rights Plan to a Flip-In Event that may occur by reason of a Take-over Bid made by means of a Take-over Bid circular to all holders of record of Voting Shares. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall be deemed to have waived the application of the Rights Plan in respect of any other Flip-In Event occurring by reason of such a Take-over Bid made prior to the expiry of a bid for which a waiver is, or is deemed to have been, granted.

(e) Discretionary Waiver Respecting Acquisition not by Take-over Bid Circular. The Board of Directors acting in good faith may, with the prior consent of the holders of Voting Shares, determine, at any time prior to the occurrence of a Flip-In Event as to which the application of the Rights Plan has not been waived, if such Flip-In Event would occur by reason of an acquisition of Voting Shares otherwise than pursuant to a Take-over Bid made by means of a Take-over Bid circular to all holders of Voting Shares and otherwise than by inadvertence in the circumstances described in subparagraph (b) above, to waive the application of the Rights Plan to such Flip-In Event. However, if the Board of Directors waives the application of the Rights Plan, the Board of Directors shall extend the Separation Time to a date subsequent to and not more than 10 Business Days following the meeting of Shareholders called to approve such a waiver.
(f) Redemption of Rights on Withdrawal or Termination of Bid. Where a Take-over Bid that is not a Permitted Bid is withdrawn or otherwise terminated after the Separation Time and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all the outstanding Rights at the Redemption Price. In such event, the Rights Plan will continue to apply as if the Separation Time had not occurred and one Right will remain attached to each Common Share as provided for in the Rights Plan.

If the Board of Directors is deemed to have elected or elects to redeem the Rights as described above, the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights is to receive the Redemption Price. Within 10 Business Days of any such election or deemed election to redeem the Rights, the Corporation will notify the holders of the Voting Shares or, after the Separation Time, the holders of the Rights.

Anti-Dilution Adjustments

The Exercise Price of a Right, the number and kind of shares subject to purchase upon exercise of a Right, and the number of Rights outstanding, will be adjusted in certain events, including:

(a) if there is a dividend payable in Voting Shares or Convertible Securities (other than pursuant to any optional stock dividend program or dividend reinvestment plan or a dividend payable in Voting Shares in lieu of a regular periodic cash dividend) on the Common Shares, or a subdivision or consolidation of the Common Shares, or an issuance of Voting Shares or Convertible Securities in respect of, in lieu of or in exchange for Common Shares; or

(b) if the Corporation fixes a record date for the distribution to all holders of Common Shares of certain rights or warrants to acquire Voting Shares or Convertible Securities, or for the making of a distribution to all holders of Common Shares of evidences of indebtedness or assets (other than regular periodic cash dividends or stock dividends payable in Common Shares) or rights or warrants.

Supplements and Amendments

Changes that the Board of Directors, acting in good faith, determines are necessary to maintain the validity of the Rights Plan as a result of any change in any applicable legislation, rules or regulation may be made subject to subsequent confirmation by the holders of the Common Shares or, after the Separation Time, the holders of Rights.

The Corporation may also make amendments to correct any clerical or typographical error. Subject to the above exceptions, after the Meeting, any amendment, variation or deletion of or from the Rights Plan and the Rights, is subject to the prior approval of the holders of Common Shares, or, after the Separation Time, the holders of the Rights.

Expiration

If the Rights Plan is ratified, confirmed and approved at the Meeting, it will become effective immediately following such approval and remain in force until the earlier of the Termination Time (the time at which the right to exercise Rights shall terminate pursuant to the Rights Plan) and the termination of the annual meeting of the shareholders in the year 2020 unless at or prior to such meeting the Independent Shareholders ratify the continued existence of the Rights Plan.