FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. **Name and Address of Reporting Issuer**

Redknee Solutions Inc. ("**Redknee**" or the "**Company**")
2560 Matheson Blvd. East
Mississauga, Ontario, L4W 4Y9

Item 2. **Date of Material Change**

December 9, 2016

Item 3. **News Release**

A news release with respect to the material change referred to in this report was issued by the Company on December 9, 2016 through the services of Canada NewsWire and a copy was subsequently filed on SEDAR.

Item 4. **Summary of Material Change**

On December 9, 2016, the Company announced that it entered into a subscription agreement (the "**Constellation Agreement**") with Trapeze Software ULC (the "**Investor**"), a subsidiary of Constellation Software Inc. ("**Constellation**"), pursuant to which the Company has agreed to complete a private placement of Series A Preferred Shares (the "**Preferred Shares**") and a common share purchase warrant (the "**Warrant**", and together with the Preferred Shares, the "**Subscription Securities**") to the Investor for gross proceeds of US$80 million (the "**Transaction**"). The net proceeds of the Transaction will be used by the Company to repay its indebtedness of approximately US$53 million under the Company's senior secured credit facility and to fund previously announced restructuring costs and working capital needs going forward.

Completion of the Transaction is subject to approval of holders ("**Shareholders**") of common shares of the Company (the "**Common Shares**") at a special meeting of Shareholders (the "**Company Meeting**") expected to be held in late January, 2017.

At the Company Meeting, Shareholders will be asked to consider, and if thought advisable, to pass:

- an ordinary resolution approving the issuance of the Preferred Shares and the Warrant (the "**Private Placement Resolution**"); and

- an ordinary resolution approving the termination of the Company's Amended and Restated Shareholder Rights Plan dated March 9, 2016 (the "**Shareholder Rights Plan**" and the "**Shareholder Rights Plan Resolution**", respectively).

Assuming the completion of the Transaction, the Investor, as the holder of the Preferred Shares, will be entitled to elect a number of directors that will be a majority of the board of directors of the Company (the "**Board**"), with the holders of the Common Shares being entitled to elect the balance of the directors. Initially, the number of directors on the Board will be set at seven, and the Investor will have the right to elect four individuals to the Board, with the balance of the Board consisting of two independent directors and the Company's Chief Executive Officer.

Item 5. **<u>Full Description of Material Change</u>**

The Constellation Agreement reflects the outcome of the process announced by the Company on August 22, 2016 to consider various strategic and financing alternatives potentially available to the Company to enhance shareholder value. The special committee of the Board (the "**Special Committee**") undertook an extensive review of alternatives with potential strategic and financial partners. Following negotiations with Constellation, and consultation with management of the Company and financial and legal advisers, the Special Committee recommended that the Board approve the Constellation Agreement as the most attractive alternative identified during its process.

RATIONALE FOR THE CONSTELLATION AGREEMENT

In evaluating and approving the Transaction, and in making its recommendation, the Special Committee carefully evaluated the terms of the Constellation Agreement and the Company's current business, financial position and future plans and prospects and the associated risks and uncertainties. The factors that the Special Committee considered included the following:

- **Results of Strategic Review Process.** The Transaction was the most attractive transaction to arise out of the publicly disclosed, robust and competitive process overseen by the Special Committee to consider various strategic and financing alternatives potentially available to the Company. That process did not yield any proposals, for either the sale of the Company as a whole or for a financing transaction, that the Special Committee viewed as viable other than a proposal from the Investor that ultimately led to the Constellation Agreement.

- **Risks Associated with Status Quo.** The Special Committee determined that, in light of the risks associated with Company's current financial position, including its current and projected cash position, its outstanding senior secured indebtedness of approximately US$53 million, and its need to fund previously announced restructuring costs and working capital requirements going forward, maintaining the status quo was not a feasible option for the Company.

- **Shareholder Approval.** The Transaction must be approved by a simple majority of the votes cast by Shareholders (other than Constellation) on the Private Placement Resolution at the Company Meeting and the Shareholder Rights Plan Resolution must be approved by a simple majority of the votes cast by the Independent Shareholders (as defined under the Shareholder Rights Plan) at the Company Meeting.

- **Terms of Transaction.** The Constellation Agreement allows the Board to respond in accordance with its fiduciary duties to consider and accept superior proposals prior to the Company Meeting, subject to payment of a break fee that the Special Committee believes is reasonable in the circumstances and not preclusive of other offers. In addition, the Constellation Agreement gives the non-Constellation appointed directors of the Company, subject to certain limitations, the exclusive ability to approve any redemption and associated refinancing of the Preferred Shares and future change of control transactions involving the Company, without the ability of Constellation to prevent such transaction.

- **Credibility of Constellation.** Constellation is a highly credible, well capitalized public company with significant operating expertise in the software industry and an established track record of creating shareholder value. As a result, the Special Committee believes that there is a high probability that the Transaction will be completed in accordance with its terms. The Special Committee believes Constellation, and its proposed nominees to the Board can provide significant operational and financial benefits to the Company going forward.

- **Shareholder Support.** The Company's largest shareholder, Invesco Canada Ltd., which currently owns approximately 19.9% of the outstanding Common Shares, along with all directors and certain officers of the Company who collectively own approximately an additional 16% of the outstanding Common Shares, have agreed to vote in favour of the Transaction.

- **Independent Advisors.** The Special Committee received and considered advice in respect of the Transaction from its independent financial advisor, TD Securities Inc., and its independent legal advisor, Goodmans LLP.

- **Management Input.** The Special Committee received and considered input from the Company's management on the benefits and risks associated with the Transaction as well as with respect to other proposals received during the course of the strategic alternative process.

DESCRIPTION OF THE CONSTELLATION AGREEMENT

The following is a summary of certain material terms of the Constellation Agreement. This summary does not contain all of the information about the Constellation Agreement. Shareholders should read the Constellation Agreement carefully and in its entirety, as the rights and obligations of the Company, the Investor and Constellation are governed by the express terms of the Constellation Agreement and not by this summary or any other information contained in this Material Change Report.

The Constellation Agreement contains representations and warranties made by the Company, the Investor and Constellation. These representations and warranties were made by and to the Company, the Investor and Constellation for the purposes of the Constellation Agreement (and not to other parties such as Shareholders) and are subject to qualifications and limitations agreed to by the Company, the Investor and Constellation in connection with negotiating and entering into the Constellation Agreement. In addition, these representations and warranties were made as of specified dates, may be subject to a contractual standard of materiality different from what may be viewed as material to Shareholders, or may have been used for the purpose of allocating risk between the parties instead of establishing such matters as facts. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this Material Change Report, may have changed since the date of the Constellation Agreement.

<u>Private Placement Conditions Precedent</u>

Mutual Conditions Precedent

The Constellation Agreement provides that the obligations of the parties to effect the Transaction are subject to the satisfaction or waiver, as the case may be, on or before the date of closing of the Transaction (the "**Closing Date**"), of each of the following conditions:

1. Shareholders have approved each of the Private Placement Resolution and Shareholder Rights Plan Resolution;

2. The Toronto Stock Exchange ("**TSX**") has approved the Transaction (the "**Exchange Approval**"); and

3. No law shall have been issued, proposed or enacted that restrains or prohibits the consummation of the Transaction or otherwise prohibits or enjoins any party from consummating the Transaction, the termination of the Shareholder Rights Plan or other transactions contemplated by the Constellation Agreement .

Additional Conditions Precedent to the Obligations of the Company

The obligation of the Company to consummate the Transaction is subject to the satisfaction or waiver of the following conditions precedent, which are for the exclusive benefit of the Company but may be waived, in whole or in part, by the Company in writing at any time:

1. The representations and warranties made by the Investor in the Constellation Agreement being true and correct as of the Closing Date, as if made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date), in all material respects, and the Investor having certified the foregoing; and

2. The Investor having complied in all material respects with all its covenants under the Constellation Agreement and the Investor having certified compliance with such covenants.

Additional Conditions Precedent to the Obligations of the Investor
The obligation of the Investor to consummate the Transaction is subject to the satisfaction or waiver of the following conditions precedent, which are for the benefit of the Investor but may be waived, in whole or in part, by the Investor in its sole discretion at any time:

1. The representations and warranties of the Company contained in the Constellation Agreement being true and correct as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Constellation Agreement), except where the failure of such representations and warranties to be true and complete, individually or in the aggregate, would not result or would not reasonably be expected to result in a Material Adverse Effect (as such term is defined in the Constellation Agreement), and would not, or would not reasonably be expected to, materially impede or delay completion of the Transaction, and the Company having certified the foregoing;

2. The Company having complied in all material respects with its covenants in the Constellation Agreement and the Company having certified compliance with such covenants;

3. The written resignation of three directors of the Company (other than the Company's Chief Executive Officer) and the appointment of the Preferred Directors (as defined below) to the Board effective immediately after the closing of the Transaction; and

4. Since the date of the Constellation Agreement, no Material Adverse Effect having occurred or been disclosed to the public.

Representations and Warranties

The Constellation Agreement contains customary representations and warranties of the Company relating to, among other things: corporate existence and power, corporate authorization; validity; non-contravention; capitalization; company subsidiaries; securities law matters; financial statements; disclosure/internal controls; auditors; absence of certain changes; no undisclosed material liabilities; compliance with laws; litigation; taxes; employment matters; benefit plans; collective agreements; environmental matters; real property; material contracts; intellectual property; products and services; insurance; books and records; finders' fees; export regulation; and waiver from lenders.

The Constellation Agreement also contains customary representations and warranties of the Investor relating to, among other things: organization; authorization and sufficient funds.

<u>Covenants</u>

Covenants of the Company Regarding Performance of Obligations
The Company agreed that until the earlier of the Closing Date and the time that the Constellation Agreement is terminated in accordance with its terms, unless otherwise: (i) agreed to in writing by the Investor; or (ii) required or expressly permitted or specifically contemplated by the Constellation Agreement:

1. It will make all necessary filings and applications required to be made on the part of the Company in connection with the Transaction and take all reasonable action necessary to be in compliance with such applicable laws;

2. It will apply for and use all commercially reasonable efforts to obtain the Exchange Approval;

3. Except as expressly provided in the Constellation Agreement, it shall not, directly or indirectly:
    a. solicit, initiate, facilitate or knowingly encourage any inquiries or proposals, or participate in any substantive discussions or negotiations, regarding a Transaction Proposal (as such term is defined in the Constellation Agreement);
    b. make a Change in Recommendation (as such term is defined in the Constellation Agreement); or,
    c. accept, approve, endorse, recommend or enter into, or publicly propose to accept, approve, endorse or enter into, any agreement in respect of a Transaction Proposal (other than a confidentiality and standstill agreement permitted by the Constellation Agreement);

4. Except as expressly provided in the Constellation Agreement, it shall immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any persons (other than the Investor) conducted heretofore by such parties with respect to any actual or potential Transaction Proposal, and, in connection therewith, the Company shall discontinue access to its data room and shall as soon as possible request, to the extent that it is entitled to do so, the return or destruction of all confidential information regarding the Company previously provided to any such person. The Company

agreed that neither it, nor any of the subsidiaries of the Company (the "**Company Subsidiaries**"), shall terminate, waive, amend or modify any provision of any existing confidentiality agreement relating to a Transaction Proposal or any standstill agreement to which it or any of the Company Subsidiaries is a party;

5. Notwithstanding the Constellation Agreement, if at any time following the date of the Constellation Agreement and prior to obtaining Shareholder approval of the Private Placement Resolution and Shareholder Rights Plan Resolution, the Company receives any written Transaction Proposal, other than any Transaction Proposal that resulted from a breach in any material respect of the Company's covenants, that the Board determines in good faith, after consultation with its financial advisors and outside counsel, constitutes or could reasonably be expected to lead to a Superior Transaction Proposal (as such term is defined in the Constellation Agreement), then the Company may:
    a. furnish information with respect to the Company and the Company Subsidiaries to the person making such Transaction Proposal; and/or
    b. enter into, participate, facilitate and maintain discussions or negotiations with, and otherwise cooperate with or assist, the person making such Transaction Proposal;

    subject to the Company providing the Investor a copy of the Transaction Proposal and the identity of the person making the Transaction Proposal. In addition, the Company shall not disclose any non-public information to such person without having entered into a confidentiality and standstill agreement with such person that contains provisions that are no less favourable, taken as a whole, to the Company than those contained in the confidentiality agreement with Constellation, provided that such confidentiality and standstill agreement may not include any provision providing for an exclusive right to negotiate with the Company and may not restrict the Company or the Company Subsidiaries from complying with the Company's covenants, and shall promptly provide to the Investor any material non-public information concerning the Company or the Company Subsidiaries provided to such other person that was not previously provided to the Investor; and

6. The Company shall not accept, approve, recommend or enter into any agreement relating to a Transaction Proposal or effect a Change of Recommendation unless (a) the Transaction Proposal did not result from the breach in any material respect of the Company's covenants; (b) the Board determined in good faith, that such Transaction Proposal constitutes a Superior Transaction Proposal; (c) the Company provided the Investor with a copy of such Transaction Proposal; (d) a period (the "**Matching Period**") of five business days has lapsed from the date (the "**Proposal Notice Date**") that is the later of (i) the date the Investor received written notice of the Company's proposed determination to take such action; and (ii) the

date the Investor received a copy of the Transaction Proposal; (e) during the Matching Period, the Investor had the the opportunity (but not an obligation) to offer to amend the terms and conditions of the Constellation Agreement such that the Transaction Proposal would cease to be a Superior Transaction Proposal; (f) after the Matching Period, the Board determined in good faith, that such Transaction Proposal continued to constitute a Superior Transaction Proposal; (g) prior to or simultaneously with taking such action, the Company (i) terminates the Constellation Agreement pursuant to the agreement's terms and (ii) pays the termination fee within the specified period of time as required under the Constellation Agreement; and (h) promptly following such termination, the Company enters into a written agreement with the person making such Superior Transaction Proposal. In the event the Company provides the notice contemplated hereunder on a date which is less than five days prior to the Company Meeting, the Investor shall be entitled to require the Company to adjourn or postpone the Company Meeting to a date that is not more than 10 days after the date of the notice. Nothing contained in the Constellation Agreement shall prohibit the Board from making any disclosure to Shareholders, responding through a directors' circular or otherwise as required by applicable securities laws to any Transaction Proposal or from calling and holding a meeting of Shareholders requisitioned by Shareholders in accordance with applicable corporate law or ordered to be held by a court pursuant to the applicable corporate law, in each case prior to the Closing Date if required under applicable laws.

Covenants of the Investor Regarding Performance of Obligations
In the Constellation Agreement, the Investor agreed that until the earlier of the Closing Date and the time that the Constellation Agreement is terminated in accordance with its terms, unless otherwise: (i) agreed to in writing by the Investor; or (ii) required or expressly permitted or specifically contemplated by the Constellation Agreement:

1. The Investor will assist the Company in making all necessary filings and applications under applicable laws required to be made on the part of the Company in connection with the Transaction;

2. The Investor shall ensure that it has available funds to permit the payment of US $80,000,000 for the Subscription Securities on the Closing Date; and

3. The Investor shall provide to the Company the proposed candidates to be nominated as Preferred Directors, subject to the terms and procedure (including requirements related to the candidates) set out in the terms of the Preferred Shares.

Mutual Covenants
Each of the parties agreed that, except as contemplated in the Constellation Agreement during the period from the date of the Constellation Agreement until the earlier of the Closing Date and the time

that the Constellation Agreement is terminated in accordance with its terms, it shall:

1. Use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations under the Constellation Agreement and to take all other action necessary, proper or advisable under all applicable laws to complete the Transaction;

2. Not take any action, or fail to take any commercially reasonable action, or permit any action to be taken or not taken, which action or failure to take action is inconsistent with the Constellation Agreement or would reasonably be expected to significantly impede the completion of the Transaction; and

3. Use its commercially reasonable efforts to conduct its affairs so that all of its representations and warranties contained in the Constellation Agreement shall be true and correct on and as of the Closing Date.

Additional Covenants

Board Representation

The Constellation Agreement provides that, following the redemption or acquisition of the Preferred Shares but for so long as the Investor continues to hold less than 50% of the outstanding Common Shares, the Investor shall have the right to (i) nominate one director for election to the Board, subject to it holding 10% or more of the Common Shares outstanding on a fully-diluted basis after giving effect to the exercise of the Warrant, and (ii) nominate a second director (each an "**Investor's Nominee**") subject to it holding 20% or more of the Common Shares outstanding on a fully-diluted basis after giving effect to the exercise of the Warrant. Constellation and the Investor agreed to support the nomination and election of no fewer than two independent directors to the Board on an ongoing basis and that for so long as any Preferred Shares are outstanding or the Investor's Shares (as such term is defined in the Constellation Agreement) represent less than all of the outstanding Common Shares, the members of each committee of the Board shall at all times include at least one independent director.

Governance Rights

Following the Closing Date and as long as any Preferred Shares remain outstanding, the Company agreed not to, without the affirmative vote of the holders of 51% of the then outstanding Preferred Shares:

1. Amend or modify the Company's articles or by-laws in any manner that would adversely affect the rights, privileges, restrictions or conditions of the holders of the Preferred Shares;

2. Amend or modify the articles of amendment creating the Preferred Shares;

3. Authorize the issuance of Preferred Shares other than the Preferred Shares issued to the Investor or authorize the issuance of any preferred shares ranking in priority to the Preferred Shares;

4. Declare or pay any dividends on any share capital of the Company other than dividends on the Preferred Shares;

5. Enter into any contract that would prohibit or restrict the Company's ability to perform any of its obligations with respect to the Preferred Shares;

6. Effect any liquidation, dissolution or winding up of the Company; or

7. Incur indebtedness for borrowed money in excess of US$15,000,000.

In addition, for as long as a Preferred Director or an Investor's Nominee serves as a member of the Board, Constellation and the Investor will (i) vote for or abstain from voting its shares in respect of all nominees recommended by the Board and proposed by the Company to the Shareholders for election as directors from time to time, (which shall not include a former executive officer of the Company unless consented to); and (ii) vote for or abstain from voting its shares in respect of any Independent Director Matters (as defined in the Constellation Agreement), except in certain circumstances relating to change of control transactions.

Participation Rights

The Company has agreed that for as long as the Investor's Percentage (as such term is defined in the Constellation Agreement) is at least 20%, and subject to certain exemptions, in the event that the Company proposes to issue Common Shares or Convertible Securities (as such term is defined in the Constellation Agreement) (collectively, "**Offered Securities**") for the purpose of raising funds (an "**Offering**") the Investor shall have the right to subscribe for and purchase such number of Offered Securities that the Company proposes to offer for sale as described in such notice as would maintain the Investor's Percentage prior to the first public announcement of the proposed financing, on the same terms and conditions as the Offering.

Prospectus Qualification Rights

The Company has agreed to permit the Investor to require the Company to prepare and file all necessary documents to qualify for distribution to the public in Canada any portion of the Common Shares issuable upon exercise of the Warrant held by the Investor. The Investor shall only be entitled to provide the Company with a total of five Registration Notices (as such term is defined in the Constellation Agreement), and the aggregate offering price of the Common Shares to be distributed to the public pursuant to any single Registration Notice may not be less than $15,000,000. Notwithstanding the foregoing, the Company shall have the option to defer such obligation under certain circumstances.

In addition, if the Company proposes to qualify any securities under applicable securities laws, the Company will be required to promptly give the Investor written notice of the proposed qualification and use commercially reasonable efforts to, in conjunction with the proposed distribution, cause to be included in such distribution all of the Common Shares that the Investor may request to be included in such distribution (provided that the Investor proposes to distribute at least a number of Common Shares equal to $1,000,000 in market value).

Drag Along Right

The Constellation Agreement provides that until the fourth anniversary of the Closing Date and for so as long as the Investor's Percentage is not less than 20%, if any person (the "**Offeror**") makes an offer or proposes a transaction that would, if completed, result in a change of control (as such term is defined in the Constellation Agreement) (the "**Offer**"), and the Offer is both approved by a majority of the Board, and the value of the consideration per share to be paid to the Shareholders for the Common Shares under the Offer is at least 120% of the exercise price of the Warrants then in effect, the Company may give notice of such Offer and exercise its rights described below.

Following receipt of the notice:

1. If such Offer requires Shareholder approval, the Investor shall not, and shall cause any affiliate thereof not to, vote (i) against any resolution recommended by the Board in order to effect and facilitate such Change of Control; and (ii) in favour of any and all other proposals that could reasonably be expected to delay or impede the ability of the Company to consummate such Change of Control;

2. If such Offer is a take-over bid and a number of Common Shares that have been tendered to the take-over bid is sufficient to satisfy the minimum tender condition for such take-over bid, the Investor shall tender and not withdraw the Investor's Shares to the take-over bid;

3. The Investor shall not deposit any Common Shares in a voting trust or any arrangement or agreement with respect to the voting of such Common Shares, unless specifically requested to do so by the acquirer in connection with the Change of Control;

4. The Investor shall refrain from exercising any dissent rights or rights of appraisal under applicable law at any time with respect to such Change of Control;

5. If the consideration to be paid in exchange for the Common Shares includes any securities and due receipt thereof by the Investor that would require (i) the registration or qualification of such securities or of any person; or (ii) the provision to the Investor of any information other than such information as a prudent issuer would generally furnish in an offering made solely to "accredited investors" as defined in National Instrument 45-106 - *Prospectus Exemptions*, the Company

may cause to be paid to the Investor in place thereof, against surrender of the Common Shares which would have otherwise been sold by the Investor, an amount in cash equal to the fair value (as determined in good faith by the Company) of the securities which the Investor would otherwise receive; and

6. If the other Shareholders, in connection with such Change of Control, appoint a shareholder representative (the "**Shareholder Representative**") with respect to matters affecting the Shareholders under the applicable definitive transaction agreements following consummation of such Change of Control, (i) to consent to (A) the appointment of such Shareholder Representative, (B) the establishment of any applicable escrow, expense or similar fund in connection with any indemnification or similar obligations, and (C) the payment of the Investor's proportionate portion of any and all reasonable fees and expenses to such Shareholder Representative in connection with such Shareholder Representative's services, and (ii) not to assert any claim or commence any suit against the Shareholder Representative or any other Shareholder with respect to any action or inaction taken or failed to be taken by the Shareholder Representative in connection with its service as the Shareholder Representative, absent fraud or willful misconduct.

The above shall not apply to any proposed Change of Control (the "**Proposed Sale**") unless (i) any representations and warranties to be made by the Investor in connection with the Proposed Sale are limited to authority, ownership and the ability to convey title to such Common Shares and residency of the Investor for tax purposes; (ii) the Investor shall not be liable for the inaccuracy of any representation or warranty made by any other person in connection with the Proposed Sale; and (iii) upon the consummation of the Proposed Sale each holder of Common Shares will receive the same amount of consideration per Common Share as is received by other holders in respect of their Common Shares.

Right to Participate in Strategic Review Process

The Company agreed that the Investor shall have the opportunity to participate in a strategic review process, including a sale of the Company, on terms that are no less favourable than the terms that are accorded to any other prospective buyer or participant in connection with such a process.

Tax Election

The Company agreed to elect, and take all other necessary action to pay or cause payment of tax at a rate such that the corporate holders of the Preferred Shares will not be required to pay tax on dividends received on the Preferred Shares.

Access to Financial Information

The Company agreed to cooperate with the Investor in order to facilitate compliance by Constellation and the Investor with its obligations under IFRS.

Guarantee
Constellation agreed to unconditionally and irrevocably guarantee the performance by the Investor, and to cause the Investor to comply with all of its obligations under the Constellation Agreement and to indemnify the Company from and against all losses, costs, damages, expenses, claims and liabilities that it may suffer or incur in connection with or in respect of any failure by the Investor for any reason to perform such obligations in accordance with the terms of the Constellation Agreement.

Termination of the Constellation Agreement

The Constellation Agreement may be terminated:

1. Upon mutual consent of the parties;

2. By either the Company or the Investor, if:
    a. the Closing Date shall not have occurred on or before February 28, 2017, except that such right to terminate shall not be available to any such party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Closing Date to occur by such date;
    b. there shall be enacted or made any applicable law that makes consummation of the Transaction illegal or otherwise prohibited or enjoins the Company or the Investor from consummating the Transaction; or,
    c. the Private Placement Resolution or the Shareholder Rights Plan Resolution shall not have received the requisite Shareholder approval at the Company Meeting;

3. By the Investor, if prior to the time of the Company Meeting (i) there shall have been a Change in Recommendation, or (ii) the Company breaches certain of its covenants in any material respect ("**Company Breach**");

4. By the Investor, if prior to obtaining Shareholder approval of the Private Placement Resolution and the Shareholder Rights Plan Resolution, the Board authorizes the Company to enter into a written agreement concerning a Superior Transaction Proposal; or

5. By the Company, if prior to obtaining Shareholder approval of the Private Placement Resolution and Shareholder Rights Plan Resolution, the Board authorizes the Company, subject to complying with the provisions of the Constellation Agreement, to enter into a written agreement concerning a Superior Transaction Proposal.

Termination Payment

In the event that the Constellation Agreement is terminated by:

1. (i) Either the Company or the Investor where (A) the Transaction has not been completed by February 28, 2017; or (B) Shareholders fail to

approve either of the Private Placement Resolution or the Shareholder Rights Plan Resolution at the Company Meeting; or (ii) the Investor as a result of a Change in Recommendation or a Company Breach; the Company will be obligated to pay the Investor a break fee of US$1,625,000, such break fee increasing to US$3,200,000 (setting off for any break fee already paid) if following such termination and within six months of the date thereof the Company consummates a Transaction Proposal or enters into a contract in respect of a Transaction Proposal which is later consummated (whether or not within six months after such termination); and

2. Either the Company or the Investor due to a Superior Transaction Proposal, the Company will be obligated to pay a break fee of US$3,200,000.

<u>Description of the Securities To Be Issued</u>

<u>Preferred Shares</u>

Pursuant to the Constellation Agreement, the Company has agreed to issue 800,000 Preferred Shares to the Investor at par value of US$100 per Preferred Share.

Dividends

The Preferred Shares will be eligible to receive cumulative dividends at the rate of 10% per annum of the issue price and will be payable quarterly, if, as and when declared by the Board, provided that if such dividends are not declared and paid, they will accrue and compound monthly at the rate of 10% per annum.

Voting and Preferred Directors

For so long as any Preferred Shares are outstanding, the holders of Preferred Shares ("**Preferred Shareholders**") shall be entitled to nominate and elect to the Board a majority of the number of directors of the Company at a meeting of Preferred Shareholders (such directors being the "**Preferred Directors**"). The Preferred Shareholders' nominees will (subject to certain limitations) be subject to approval by the two directors elected by the holders of Common Shares other than the Chief Executive Officer (the "**Independent Directors**").

Directors elected by the Preferred Shareholders shall have one vote on all matters submitted to the Board, other than the following matters that shall be subject to the approval of the Independent Directors: (i) any redemption of Preferred Shares and any financing necessary to fund the redemption of the Preferred Shares; and (ii) for a period of four years after the Closing Date, and provided that Constellation does not own more than 50% of the outstanding Common Shares, any change of control transaction for which the value of the consideration per Common Share to be paid is in excess of 120% of the Warrant Exercise Price then in effect.

Other than as described above, Preferred Shareholders will not be entitled to receive notice of, attend, or vote at any meeting of shareholders of the Company, except as otherwise provided by law and except for meetings of the holders of Preferred Shares as a class or series.

Rights on Liquidation

In the event of any liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Preferred Shares, each Preferred Shareholder will be entitled to be paid an amount equal to US$100 per Preferred Share, plus all accrued and unpaid dividends on the Preferred Shares, up to, but excluding, the date of payment or distribution (the "**Liquidation Preference**") (less any tax required to be deducted and withheld by the Company), before any amount is paid or any assets of the Company are distributed to holders of any shares ranking junior as to capital to the Preferred Shares. Upon payment of such amounts, the Preferred Shareholders will not be entitled to share in any further distribution of assets of the Company.

Redemption by the Company

The Company may, at its option, subject to the terms of any shares ranking prior to the Preferred Shares and to applicable law, on at least 20 days' notice (the "**Redemption Notice**"), redeem all or from time to time any part of the then outstanding Preferred Shares by payment of an amount in cash for each such Preferred Share redeemed equal to:

- the Liquidation Preference plus a 20% premium if redeemed in the first year following the Closing Date;
- the Liquidation Preference plus a 15% premium if redeemed in the second year following the Closing Date;
- the Liquidation Preference plus a 10% premium if redeemed in the third year following the Closing Date;
- the Liquidation Preference plus a 5% premium if redeemed in the fourth year following the Closing Date; and
- thereafter, the Liquidation Preference (each a "**Corporate Redemption Price**"),

in each case, less any tax required to be deducted and withheld by the Company.

If less than all of the outstanding Preferred Shares are at any time to be redeemed, then the particular Preferred Shares to be redeemed shall be selected on a pro rata basis or, if the Preferred Shares are at such time listed on a stock exchange, with the consent of the applicable stock exchange, in such other manner as the Board in their sole discretion may determine.

Redemption by Preferred Shareholders
The Preferred Shares will not be redeemable at the election of a Preferred Shareholder until ten years following the Closing Date. Thereafter, a Preferred Shareholder may at its option, on at least 60 days' prior written notice, require the Company to redeem, subject to applicable law, all, or from time to time any part, of the then outstanding Preferred Shares for an amount in cash for each such Preferred Share so redeemed equal to the Liquidation Preference less any tax required to be deducted and withheld by the Company.

Change of Control Payment
On the occurrence of a change of control of the Company, subject to the terms of any shares ranking prior to the Preferred Shares and to applicable law, the Company will have the right, without the consent of the Preferred Shareholders, to require that the Preferred Shares be purchased or otherwise acquired from Preferred Shareholders for the aggregate sum of the then applicable Corporate Redemption Price and a make-whole payment for any taxes incurred by the Preferred Shareholders in connection with such sale that would be incremental to taxes arising in connection with a redemption of the Preferred Shares in connection with a change of control.

<u>Warrant</u>

The Warrant will entitle the Investor to acquire a number of Common Shares (each a "**Warrant Share**") equal to US$120,000,000 divided by the exercise price per Warrant Share (the "**Warrant Exercise Price**") for a period of 10 years from the Closing Date. The Warrant Exercise Price will be determined on the Closing Date and equal to the lower of: (i) the US dollar equivalent on the Closing Date of the volume weighted average trading price of the Common Shares over the period of 10 trading days on the TSX ending on the second trading day prior to the Closing Date; and (ii) US$1.43; provided that the Warrant Exercise Price shall not be less than US$1.09.

Cashless Exercise Feature
The Warrant will provide for a cashless exercise feature wherein the Investor may elect to receive less Warrant Shares without paying the Warrant Exercise Price in cash. The number of Warrant Shares to be issued under the cashless exercise feature will be determined by a formula based on the number of Warrant Shares underlying the portion of the Warrant surrendered by the holder, the US dollar equivalent of the weighted average sale price per Common Share for the 10 consecutive trading days immediately prior to the date of exercise and the Warrant Exercise Price.

Adjustments
The Warrant will contain anti-dilution provisions or adjustments in the event of: (i) share consolidation, division, or the issuance of Common Shares to the Shareholders by way of stock dividend; (ii) reorganization, reclassification, merger, amalgamation, dissolution or other similar

transaction that has the effect of changing the Common Shares into the same or a different number of shares, other securities or property, including cash; (iii) a special distribution of shares, other securities or property (including cash) to Shareholders by way of dividend, distribution, spin-off, split-up, reclassification, combination of shares or similar corporate arrangement; and (iv) issuance by the Company of additional Common Shares or securities exchangeable for or convertible into Common Shares at a price per share or having a conversion, exchange or exercise price per share less than the Warrant Exercise Price on the date of issue. Certain of these anti-dilution provisions and adjustments result in issuances of Common Shares below the Warrant Exercise Price.

Change of Control
Upon the occurrence of a change of control of the Company, the Warrant will terminate in consideration for the payment in cash by or on behalf of the Company of an amount equal to the fair market value equivalent as determined by the Board, acting reasonably, of such cash, securities and property to which the holder of the Warrant would have been entitled upon the consummation of the change of control if the holder had exercised the rights represented by the Warrant immediately prior thereto, less the Warrant Exercise Price.

Transfer
The Warrant will not be transferrable by the Investor other than to affiliates of Constellation.

REQUIRED SHAREHOLDER APPROVALS

Pursuant to subsection 604(a)(i) of the TSX Company Manual ("**TSX Rules**"), shareholder approval is required to be obtained in respect of any transactions that materially affects control of an issuer.

The TSX Rules define the phrase "materially affect control" as the ability of any security holder or combination of security holders acting together to influence the outcome of a vote of security holders, including the ability to block significant transactions. The TSX Rules note that while such an ability will be affected by the circumstances of a particular case (including the presence or absence of other large security holdings, the pattern of voting behaviour by other holders at previous security holder meetings and the distribution of voting securities), a transaction that results, or could result, in a new holding of more than 20% of the voting securities of an issuer by one shareholder, or combination of shareholders acting together, will be considered to materially affect control of the issuer, unless the circumstances indicate otherwise.

Assuming the completion of the Transaction, the Investor will acquire the Warrant which will entitle the Investor to acquire Common Shares representing greater than 20% of the Common Shares issued and outstanding. Additionally, the Investor's holding of Preferred Shares will entitle the Investor to elect a number of directors that will be a majority of the Board. As such, the Transaction will "materially affect control" of the

Company and will therefore require approval by the Shareholders pursuant to the TSX Rules.

Pursuant to subsection 607(g)(i) of the TSX Rules, shareholder approval is required if an aggregate number of listed securities issuable on a proposed private placement transaction may equal more than 25% of such issuer's currently outstanding securities, on a non-diluted basis, prior to the date of closing of the proposed transaction where the price per security is less than the market price.

Assuming the completion of the Transaction, the Investor will acquire the Warrant which will entitle the Investor to acquire Common Shares representing greater than 25% of the Common Shares issued and outstanding at a price per Common Share that may be less than the market price. As such, the Transaction requires approval by the Shareholders pursuant to the TSX Rules.

Pursuant to subsection 607(e) of the TSX Rules, disinterested shareholder approval is required where, in a proposed private placement of securities, the securities' anti-dilution provisions provide adjustments for events: (i) for which not all security holders are compensated; and (ii) which may result in securities issued at an exercise price lower than the market price less the maximum allowable discount permitted under the TSX Rules (the "**Minimum TSX Price**"). Because certain of the anti-dilution provisions and adjustments in respect of the Warrant may result in downward adjustments to the Warrant Exercise Price below the Minimum TSX Price, as well as change the total number of Warrant Shares issuable upon exercise of the Warrant, which adjustments would benefit only the holder of the Warrant and not all security holders, disinterested Shareholder approval is required pursuant to the TSX Rules.

At the Company Meeting, Shareholders will be asked to consider, and, if thought advisable, approve the Private Placement Resolution in order to approve the issuance of the Subscription Securities in accordance with the foregoing TSX Rules.

As the termination of the Company's Shareholder Rights Plan is a condition of closing of the Transaction, Shareholders, at the Company Meeting, will also be asked to consider, and, if thought advisable, approve the Shareholder Rights Plan Resolution to terminate such plan.

The Board recommends that Shareholders vote in favour of the Private Placement Resolution and the Shareholder Rights Plan Resolution.

VOTING SUPPORT AGREEMENTS

The Company's largest investor, Invesco Canada Ltd., which holds Common Shares representing approximately 19.9% of the outstanding Common Shares, has agreed to vote its shares in favour of the Private Placement Resolution and Shareholder Rights Plan Resolution.

In addition, all directors of the Company, and certain officers of the Company, holding Common Shares representing in aggregate approximately 16% of the outstanding Common Shares, have also agreed to vote their Common Shares in favour of the Private Placement Resolution and Shareholder Rights Plan Resolution.

Item 6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

Item 7. **Omitted Information**

Not applicable.

Item 8. **Executive Officer**

David Charron, Chief Financial Officer
Phone: (905) 625-2943
Fax: (905) 625-2773

Item 9. **Date of Report**

December 19, 2016.