ANNUAL INFORMATION FORM

For the year ended
December 31, 2017

Exchange
Income
Corporation

March 29, 2018

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STRUCTURE OF THE CORPORATION

Name, Address and Formation

The Corporation is a corporation existing under the CBCA. The head office and registered office of the Corporation are both located at 1067 Sherwin Road in Winnipeg, Manitoba.

Inter-corporate Relationships

As at December 31, 2017, the Corporation held the securities of its Subsidiaries and other investees as set forth in the diagram below. Each of the material Subsidiaries are wholly-owned by the Corporation.

Exchange Income Corporation(1)(3)(8)		
Aerospace & Aviation Segment		Manufacturing Segment
Provincial Aerospace Ltd. (Canada) and its Subsidiaries(2)		WesTower Communications Ltd. (Canada)
Regional One, Inc. (Florida) and its Subsidiaries(3)(4)		Stainless Fabrication, Inc. (Missouri)(3)
Calm Air International LP (Manitoba)		Water Blast Manufacturing LP (Manitoba)(7)
Perimeter Aviation LP (Manitoba) and its Subsidiary(5)(6)		Ben Machine Products Company Inc. (Canada)
Keewatin Air LP (Manitoba)		Overlanders Manufacturing LP (Manitoba)
Custom Helicopters Ltd. (Manitoba)		Quest Window Systems Inc. (Canada)

Notes:

(1) All Subsidiaries are 100% owned by the Corporation, directly or indirectly unless otherwise stated. All general partners of the limited partnership Subsidiaries of the Corporation are wholly-owned Subsidiary corporations of the Corporation.

(2) The Subsidiaries of Provincial Aerospace including the following:
- PAL Airlines (Canada) 100% owned and its affiliates:
  - Air Borealis Inc. (Newfoundland and Labrador) and Air Borealis Limited Partnership (Newfoundland and Labrador) both 33.33% owned. The Air Borealis Limited Partnership owns directly 100% of Innu Mikun Inc. (Newfoundland and Labrador) and owns indirectly 100% of Innu Mikun Limited Partnership (Newfoundland and Labrador).
- PAL Aerospace (Canada) 100% owned and its Subsidiaries and affiliates:
  - DECA Aviation Engineering Ltd. (Ontario) 100% owned.
  - Provincial Aerospace Netherlands BV (Netherlands) 100% owned.
  - Provincial Airlines (Curacao) Limited BV (Curacao) 100% owned.
  - PAL Middle East FZE (UAE) 100% owned and its affiliate PAL Aerospace Services Aircraft Maintenance LLC (UAE) 49% owned.
  - CarteNav (Canada) 100% owned and its Subsidiary, CarteNav Solutions UK Ltd. (England and Wales) 100% owned.

- PAL Aviation Services (Canada) 100% owned and its Subsidiaries:
    - PAL Aero Services Ltd. (Canada) 100% owned.
    - PAL Aviation Properties Ltd. (Canada) 100% owned.
- Airpro Sar Services Incorporated (Canada) 49% owned.

(3) Regional One (Florida), Team J.A.S. (Florida) and Stainless (Missouri) are all 100% owned Subsidiaries of EIIF US (Delaware), which is 100% owned by the Corporation, and EIIF CRJ Aero Investment, LLC is 60% owned by EIIF US (Delaware).

(4) Includes SAF CRJ-200LR Holdings, LLC (Delaware) 14.29% ownership by Regional One, R1 Canada LP (Manitoba) 100% owned by the Corporation, BridgeWater Engine Ownership II LLC (Delaware) 24.67% ownership by Regional One, CRJ10054 Holdings LLC (Florida) 52% ownership by Regional One, and Flight Lease IX, LLC (Florida) 23.585% ownership by Regional One.

(5) Includes its Subsidiary 7078650 Canada Ltd. (Canada) 51% owned.

(6) On December 31, 2017, the Corporation transferred all of the assets of Bearskin LP to Perimeter LP pursuant to the Bearskin Merger. Following the Bearskin Merger, Bearskin LP was wound up and its operations were continued under the "Bearskin Airlines" name as a division of Perimeter LP. See *Narrative Description of the Business - Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Bearskin Airlines' Business* for a description of the business of the Bearskin Airlines division of Perimeter LP (formerly Bearskin LP).

(7) Includes WBM NoDak (North Dakota) 100% owned Subsidiary of EIIF US, which is 100% owned by the Corporation.

(8) Includes the following Subsidiaries:
- EIIF US (Delaware) 100% owned.
- EIC Ireland Leasing Limited (Ireland) 100% owned.
- EIC Ireland Leasing No. Two Ltd. (Ireland) 100% owned.
- 4873999 Manitoba Ltd. (Manitoba) 100% owned.
- 7328010 Canada Ltd. (Canada) 100% owned.
- Central Point Procurement Inc. (Canada) 100% owned.
- 8900973 Canada Ltd. (Canada) 100% owned and its Subsidiaries EIC Luxembourg Sarl (Luxembourg) 100% owned, EIC Aircraft Leasing Limited (Ireland) 100% owned and R1 Lease Services Limited (Ireland) 60% owned by EIC Aircraft Leasing Limited.

Management of the Corporation

Overall governance of the Corporation is under the direction of the Directors, a majority of whom must be, and are, Independent Directors. The investment policies and operations of the Corporation are subject to the control of the Directors.

As at December 31, 2017 and as at the date hereof, the Directors of the Corporation (alphabetically) are Brad Bennett, Gary Buckley, Allan Davis, Gary Filmon, Duncan D. Jessiman, Serena Kraayeveld, Michael Pyle, Donald Streuber and Edward Warkentin.

As at December 31, 2017, the officers of the Corporation (alphabetically) were Gary Beaurivage (Vice-President and Chief Operating Officer, Aviation), Duncan D. Jessiman (Executive Vice–Chairman), Carmele Peter (President), Michael Pyle (Chief Executive Officer), Tamara Schock (Chief Financial Officer), Darwin Sparrow (Chief Operating Officer), Dianne Spencer (Corporate Secretary) and Adam Terwin (Chief Corporate Development Officer). Effective March 31, 2018, Gary Beaurivage will retire and David White (Executive Vice-President, Aviation) will be appointed as an officer of the Corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

General

The Corporation is a diversified, acquisition-oriented corporation focused on opportunities in aerospace & aviation and manufacturing. The business plan of the Corporation is to invest in profitable, well-established companies with strong cash flows operating in niche markets. The objectives of the Corporation are:

(a) to provide Shareholders with stable and growing dividends;

(b) to maximize Common Share value through on-going active monitoring of and investment in its Operating Subsidiaries; and

(c) to continue to acquire additional companies, businesses or interests therein to expand and diversify the Corporation's investments.

Since the inception of the Corporation and up to the date of this annual information form, the Corporation has completed a number of acquisitions, including those set forth under "Completed Acquisitions" below.

Operating Segment Summary

The Corporation's operating segments are strategic business units that offer different products and services. The Corporation has two operating segments: aerospace & aviation and manufacturing:

(a) Aerospace & Aviation – includes a variety of operations within the aerospace and aviation industries. It includes providing scheduled airline and charter service and emergency medical services to communities located in Manitoba, Ontario and Nunavut. These services are provided by Calm Air LP, Perimeter LP (including Bearskin Airlines), Keewatin LP, Custom Helicopters, and other aviation supporting businesses. Regional One is focused on supplying regional airline operators around the world with various after-market aircraft, engines, and component parts. Provincial Aerospace provides scheduled airline and charter service in Newfoundland and Labrador, Quebec, New Brunswick and Nova Scotia and through its aerospace business designs, modifies, maintains and operates customer sensor equipped aircraft. Provincial Aerospace also has maritime surveillance and support operations in Canada, the Caribbean and the Middle East.

(b) Manufacturing – provides a variety of manufactured goods and related services in a number of industries and geographic markets throughout North America. Quest is a manufacturer of an advanced unitized window wall system used primarily in high-rise multi-family residential projects in Canada and the United States. WesTower is focused on the engineering, design, manufacturing and construction of communication infrastructure and provision of technical services. Stainless manufactures specialized stainless steel tanks, vessels and processing equipment. WBM manufactures specialized heavy duty pressure washing and steam systems, commercial water recycling systems and custom tanks for the transportation of various products, primarily oil, gasoline and water. Ben Machine is a manufacturer of precision parts and components primarily used in the aerospace and defence sector. Overlanders LP manufactures precision sheet metal and tubular products.

Management of the Corporation continuously monitors its Operating Subsidiaries. The Operating Subsidiaries of the Corporation, however, operate autonomously and maintain their individual business identities.

Completed Acquisitions

From its inception, the Corporation has made numerous acquisitions. The table below sets out the acquisitions made by the Corporation over the three most recently completed financial years of the Corporation. Full details of all of the Operating Subsidiaries' businesses as of December 31, 2017 are set out under "Narrative Description of the Business".

Entity / Asset Acquired (Date of Acquisition)
Provincial Aerospace (January 2, 2015) Provincial Aerospace is a wholly-owned Subsidiary of the Corporation. See "Narrative Description of the Business –

Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Provincial Aerospace's Business". The acquisition was made by the Corporation pursuant to a share purchase agreement whereby the Corporation's wholly-owned Subsidiary, 73636 Newfoundland & Labrador Inc., acquired all of the issued and outstanding shares of Provincial Aerospace and then subsequently amalgamated.
Ben Machine (July 2, 2015) Ben Machine is a wholly-owned Subsidiary of the Corporation. See "Narrative Description of the Business – Description of the Business of the Operating Subsidiaries – Manufacturing – Ben Machine's Business". The acquisition was made by the Corporation pursuant to a share purchase agreement whereby the Corporation and the Corporation's wholly-owned Subsidiary, 2471386 Ontario Ltd., acquired all of the issued and outstanding shares of Ben Machine and then subsequently amalgamated.
Non-aircraft assets of First Air in Kivalliq Region (July 3, 2015) The Corporation acquired all of the non-aircraft assets of First Air in the Kivalliq Region of Nunavut. See "Narrative Description of the Business – Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Calm Air LP's Business". The acquisition was made by the Corporation pursuant to an asset purchase agreement.
CarteNav (August 8, 2016) CarteNav is a wholly-owned Subsidiary of PAL Aerospace. See "Narrative Description of the Business – Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Provincial Aerospace's Business". The acquisition was made by the Corporation pursuant to a share purchase agreement whereby the Corporation and the Corporation's wholly-owned Subsidiary, 3299728 Nova Scotia Ltd., acquired all of the issued and outstanding shares of CarteNav and then subsequently amalgamated.
Team J.A.S. (November 4, 2016) Team J.A.S. is a wholly-owned Subsidiary of EIIF US. See "Narrative Description of the Business – Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Regional One's Business". The acquisition was made by the Corporation pursuant to a merger agreement between EIIF US, EIIF US's wholly-owned Subsidiary, TJAS Mer Sub, Inc., and Team J.A.S. whereby TJAS Mer Sub, Inc. and Team J.A.S. merged. Following the transaction, Team J.A.S. became a wholly-owned Subsidiary of EIIF US.
Quest Windows (November 14, 2017) Quest Windows is a wholly-owned Subsidiary of the Corporation. See "Narrative Description of the Business – Description of the Business of the Operating Subsidiaries – Manufacturing – Quest Windows' Business". The acquisition of substantially all of the assets of Old Quest Windows was made by the Corporation pursuant to an asset purchase agreement among the Corporation, Quest Windows (under its former name, 10476587 Canada Ltd.) and Old Quest Windows.

Developments in 2017

Offering of Common Shares

On January 4, 2017, the Corporation completed a short form prospectus offering of 2,303,450 Common Shares at a price of $42.45 per Common Share for aggregate gross proceeds of $97,781,453 and net proceeds of $92,992,000 after commissions and expenses of the offering.

Amended Credit Facility

On March 3, 2017, the Corporation entered into a seventh amended and restated loan agreement with its syndicate of lenders to modify the terms of the Credit Facility. The amendments include increasing the credit available to $695,000,000 (which may be denominated in either Canadian or US funds) and an additional facility of USD$55,000,000, which is an aggregate increase of approximately $200,000,000 over the Corporation's Credit Facility as at December 31, 2016. In addition, two new banks were added to the syndicate of lenders and the maturity date of the Credit Facility was extended to March 2, 2021.

Acquisition of Quest Windows

On November 14, 2017, the Corporation acquired all of the assets of Old Quest Windows, a corporation based in Mississauga, Ontario. For a description of the business of Quest Windows, see "Narrative Description of the

Business – Description of the Business of the Operating Subsidiaries – Manufacturing – Quest Windows' Business".

The total purchase consideration for the assets of Old Quest Windows was $85,000,000. The purchase price is subject to post-closing adjustments which can increase the purchase price to $100,000,000 if post-closing growth targets are met. The initial purchase price was paid through the issuance of 377,500 Common Shares at a deemed price of $32.09 per Common Share (approximately $12,114,000 in total) and the remainder paid in cash.

Offering of Subordinated Debentures – December 2017

On December 20, 2017, the Corporation completed a short form prospectus offering of $100,000,000 principal amount of Subordinated Debentures – December 2017 which resulted in net proceeds of approximately $95,195,000 after commissions and expenses of the offering.

Recent Developments

Redemption of Subordinated Debentures – September 2012

Effective January 11, 2018 the Corporation redeemed $56,753,000 principal amount of Subordinated Debentures – September 2012, representing all of the issued and outstanding Subordinated Debentures – September 2012 on such date, at a price of $1,000 per debenture plus accrued interest from September 30, 2017 until January 10, 2018. Over the life of the Subordinated Debentures – September 2012 but prior to redemption, a total of $747,000 principal amount of Subordinated Debentures – September 2012 were converted by the holders of Subordinated Debentures – September 2012 into 20,291 Common Shares at a price of $36.80 per share.

NCIB for Common Shares

On January 31, 2018, the Corporation announced that the TSX had approved the renewal of the Corporation's NCIB. Under the terms of the renewal, the Corporation can purchase up to an aggregate of 1,566,827 Common Shares, representing 5% of the issued and outstanding Common Shares as at January 23, 2018.

Purchases of Common Shares pursuant to the NCIB may be made through the facilities of the TSX commencing on February 5, 2018 and ending on February 4, 2019, or an earlier date in the event that the Corporation purchases the maximum number of Common Shares available under the NCIB. The Corporation will pay the market price at the time of acquisition for any Common Shares purchased through the facilities of the TSX. All Common Shares acquired directly by the Corporation under the NCIB will be cancelled.

Under its prior NCIB which was in effect from January 23, 2017 to January 22, 2018, the Corporation purchased an aggregate of 797,580 Common Shares at a weighted average price of $32.64 per Common Share.

The Corporation sought renewal of its NCIB because it believes that, from time to time, the market price of the Common Shares may not fully reflect the value of the Common Shares. As a result, the Corporation believes that, in such circumstances, the purchase of Common Shares through the NCIB can enhance Shareholder value and represents an appropriate use of the Corporation's financial resources.

Partnership with Wasaya Group

On February 1, 2018, the Corporation announced that it had entered into an agreement with the Wasaya Group ("**Wasaya**") and its shareholders whereby the Corporation will acquire an ownership interest in Wasaya. The Corporation expects to invest $25,000,000 in Wasaya of which approximately $12,000,000 will be an equity investment and approximately $13,000,000 will be a loan to Wasaya. The equity investment will be funded through the issuance of Common Shares to the shareholders of Wasaya. The Corporation has funded an initial investment of $2,000,000 and expects to complete the transaction early in the second quarter of 2018. The partnership is expected to enhance the level of air service in Northern Ontario and result in operational efficiencies.

Wasaya Group, including Wasaya Airways and Wasaya Petroleum, is directly or indirectly owned by the following 12 First Nations: Bearskin Lake; Fort Severn; Kasabonika Lake; Keewaywin; Kingfisher Lake;

Kitchenuhmaykoosib Inninuwug; Muskrat Dam; Nibinamik; Pikangikum; Sandy Lake; Wapekeka; and Wunnumin Lake. Wasaya serves 25 destinations in northwestern Ontario with 60 daily flights and employs approximately 320 employees, of which over one third are First Nation.

Acquisition of Moncton Flight College

On February 28, 2018, the Corporation completed the acquisition of all of the shares of CANLink Global Inc., which operates the Moncton Flight College ("**MFC**"), for a purchase price of approximately $35,000,000, subject to customary post-closing adjustments.

The initial base purchase price of $35,000,000 was paid through the issuance of 176,102 Common Shares at a deemed price of $34.0712 per Common Share (approximately $6,000,000 million in total) and the remainder paid in cash. If the post-closing growth targets are met, the purchase price will increase to $55,000,000.

MFC is the largest flight training college in Canada having trained over 19,000 students since its inception. MFC offers domestic Canadian pilot training as well as a foreign pilot program. They domestically offer a full range of training from private pilot licensing to commercial pilot programs, which include an Integrated Commercial Pilot Program, a Diploma in Aviation Technology Pilot Program and a four year Bachelor of Science/Pilot Program with Mount Allison University. MFC currently operates with approximately 160 employees, including over 90 flight instructors out of two campuses located in Moncton and Fredericton, New Brunswick.

Increase of Monthly Dividend

As part of the Corporation's 2017 financial results announcement on February 21, 2018 and through the Corporation's March dividend press release on March 16, 2018, the Corporation announced that the monthly dividend on the Common Shares would be increased from $0.175 per month, or $2.10 per Common Share on an annualized basis, to $0.1825 per Common Share per month, or $2.19 per Common Share on an annualized basis. The dividend increase will take effect with the March 2018 dividend, to be paid on April 13, 2018.

NARRATIVE DESCRIPTION OF THE BUSINESS

The Corporation

The following provides a description of the Corporation's business as at December 31, 2017.

As at December 31, 2017, the Corporation owned, directly or indirectly, all of the issued and outstanding shares or partnership units, as applicable, of the following material Operating Subsidiaries in the operating segments set forth below:

Aerospace & Aviation Segment Operating Subsidiaries	Manufacturing Segment Operating Subsidiaries
Provincial Aerospace	WesTower
Regional One	Stainless
Calm Air LP	WBM
Perimeter LP (including Bearskin Airlines)	Ben Machine
Keewatin LP	Overlanders LP
Custom Helicopters	Quest Windows

Objectives and Strategy

Acquisition Strategy

The Corporation's acquisition strategy is to target strong niche businesses with attractive free cash flows, which are well suited for public markets as income generating vehicles, except, in certain circumstances, for their size. The Corporation seeks to acquire businesses with the following characteristics: (i) attractive margins; (ii) defensible market position; (iii) attractive free cash flow less maintenance capital expenditures; (iv) identifiable competitive advantage(s); and (v) barriers to market entry by competitors. The Corporation seeks to retain the key management personnel following acquisitions and have such key management personnel own an equity interest in the Corporation. Management believes that profitable, well–established family–owned or closely held businesses with strong cash flows that operate in niche markets present an attractive investment opportunity. Management believes that the Corporation will be able to continue to implement its investment strategy of acquiring businesses with these characteristics to provide additional cash flow and further enhance long–term Shareholder value.

The Corporation intends to finance additional acquisitions through public or private offerings of Common Shares, convertible debentures and/or other securities of the Corporation together with traditional bank financing. The Corporation does not expect that material acquisitions will be funded with cash flow generated from its Operating Subsidiaries.

Internal Growth Strategy

In addition to the acquisition strategy of the Corporation for growth, the Corporation has oversight and focuses on the generation of organic growth by its Operating Subsidiaries. Organic growth opportunities can come in the form of expanding or acquiring tuck-in operations for existing businesses or by investing capital into new equipment and facilities for new regions, industries or customers. The Corporation assesses organic growth opportunities with similar criteria as it does for acquisitions to achieve accretive returns on the capital required.

The material Operating Subsidiaries run autonomously with appropriate oversight by management of the Corporation to ensure that the Operating Subsidiaries continue to have sound business operations and expansion strategies, where appropriate. Management seeks to identify and exploit potential synergies among the Operating Subsidiaries.

Segment Revenues

The revenues reported for each of the Corporation’s two reportable business segments (aerospace & aviation and manufacturing) for the years ended December 31, 2017 and December 31, 2016 are as follows:

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Aerospace & Aviation	Manufacturing	Consolidated	Aerospace & Aviation	Manufacturing	Consolidated
Revenue ($000’s)	$808,569	$204,381	$1,012,950	$703,327	$187,699	$891,026

Description of the Business of the Operating Subsidiaries – Aerospace & Aviation

Provincial Aerospace’s Business

Provincial Aerospace operates an aerospace division (PAL Aerospace) and a scheduled airline with fixed base operations (PAL Airlines).

Provincial Aerospace’s current fleet of aircraft consist of 35 aircraft, including 12 Dash 8’s, nine Twin Otters, nine King Air’s, two Citations, two Beech 1900’s, and one Metroliner. This fleet of aircraft is well suited for Provincial Aerospace in both its aerospace special mission operations and scheduled and charter airline operations.

PAL Aerospace’s Business

Summary

PAL Aerospace is a vertically integrated aerospace company that provides customized and integrated special mission aircraft solutions to governments/militaries and the offshore oil and gas industry. These services are provided via mission systems design and integration, aircraft modifications, surveillance operations, logistics and in-service support. PAL Aerospace also performs medevac services for the government in the province of Newfoundland and Labrador and the province of Quebec for the St. Lawrence North Shore region.

The material areas of business for PAL Aerospace are as follows:

(a) designing and building customized sensor equipped aircraft;

(b) fee based in-service support; and

(c) operation of customized sensor equipped aircraft.

Production and Services

PAL Aerospace has Canadian operating bases in St. John's, Newfoundland; Saint John, New Brunswick; Halifax, Nova Scotia; Toronto and Ottawa, Ontario; and Comox, British Columbia and has international operating bases in Abu Dhabi, UAE, Curacao, Netherlands Antilles and Port of Spain, Trinidad & Tobago. PAL Aerospace designs, builds, maintains and operates customized sensor equipped aircraft that are utilized globally for intelligence, surveillance and reconnaissance missions and maritime patrol aircraft. PAL Aerospace also has the ability to perform aircraft maintenance on its aircraft as well as those of third parties and the other aviation Subsidiaries of the Corporation.

PAL Aerospace is a party to several significant contracts, including ones for aircraft modifications, airborne maritime surveillance operations and the maintenance of certain specialized surveillance aircraft. These contracts are with a diverse range of customers including governments and militaries around the world. Strategic markets of PAL Aerospace include Canada, the Caribbean, and the Middle East.

Specialized Skill and Knowledge

Management believes that PAL Aerospace has key competitive advantages as set out below.

<u>Personnel Experience and Relationships</u>

PAL Aerospace's management team has considerable experience in the aerospace industry. PAL Aerospace has strong and long-term relationships with its major customers and key suppliers. This includes an experienced advisory council with military and government relations experience. PAL Aerospace has experienced, qualified pilots that use a variety of flying platforms. The pilots of PAL Aerospace collectively have over 260,000 flying hours for special missions.

<u>Vertical Integration</u>

PAL Aerospace has developed into a globally recognized leader specializing in modifying and flying special mission aircraft. Its vertical integration of three distinct services (design and build, fee for in-service support and operational) provides PAL Aerospace with a distinct strategic advantage as it is able to offer a full suite of offerings to its customers.

<u>Customization of Product Offering</u>

PAL Aerospace is not tied to any one OEM and, as such, is able to customize its product offering to tailor and fit the specific needs and requirements of customers' platforms. PAL Aerospace has a history of providing best in class military intelligence, surveillance and reconnaissance systems on various fixed and rotary wing platforms and can install, modify and design any system on any platform.

<u>Technical Capability, Certifications and Qualifications</u>

The following divisions within PAL Aerospace are ISO certified: environmental services, airborne maritime surveillance, software engineering and maintenance and modification. PAL Aerospace and DECA Aviation are registrants under the *Controlled Goods Regulations of the Defence Production Act* (Canada).

<u>DECA Aviation</u>

Through its wholly-owned Subsidiary, DECA Aviation, PAL Aerospace is able to provide services to both the domestic and international aviation communities in the areas of engineering, certification, aircraft modification, program management and integrated kit supply.

DECA Aviation provides a wide variety of services to its customers that include single aircraft operators, charter, regional and major airlines, government, paramilitary and the military sectors. In addition, DECA Aviation continues to support completion centers, maintenance, repair and overhaul, aircraft and system OEMs and other Subsidiaries requiring aircraft modifications.

CarteNav

Through its wholly owned Subsidiary, CarteNav, PAL Aerospace has entered the commercial software development market. CarteNav provides situational awareness software solutions for air, land and sea platforms. Through its product, AIMS-ISR®, CarteNav provides mission system software for the intelligence, surveillance, reconnaissance and situational awareness marketplace. CarteNav serves a wide variety of customers including police services, militaries, oil and gas customers, aircraft manufacturers and other aerospace and defence companies that wish to have their products integrated with CarteNav's to provide a clean user interface to showcase and best utilize their cameras, radars and sensors.

Long-term Customer Relationships

The core business of PAL Aerospace is based on long-standing contracts for maritime patrol operations and aircraft maintenance.

Supplier Relationships

PAL Aerospace has strong relationships with its suppliers that provide it with critical mission system inputs and products.

Competitive Condition

PAL Aerospace has long term customer relationships which create a barrier to entry for potential competitors. PAL Aerospace faces competition from both domestic and international companies. Unlike many of its competitors, PAL Aerospace is platform agnostic in relation to the type of services it provides to its customers. Management believes that PAL Aerospace's current competitive position in its principal markets is sound.

Components

PAL Aerospace has long term relationships with multiple suppliers and has not had problems sourcing parts in the past. In addition, PAL Aerospace benefits from the ability to work directly with Regional One in order to source aviation parts and engines which helps to reduce reliance on other suppliers.

PAL Aerospace has the following in-house shops: electrical, avionics, engineering, systems integration, aircraft structures, heavy maintenance and software.

New Products and Contracts

FWSAR Contract

On December 8, 2016, the Corporation announced that the Government of Canada had awarded the contract for its FWSAR Aircraft Replacement Program to the C295 team, which is comprised of Airbus Defence and Space, PAL Aerospace, as well as certain other subcontractors. The contract award follows the commitment from the Government of Canada to replace its aging CC-115 Buffalo and CC-130 Hercules aircraft with a new fleet of Airbus C295W sensor equipped aircraft and includes up to 20 years of in-service support to such fleet. A joint venture corporation was created with Airbus Defence and Space to perform the contract (AirPro SAR Services Inc.).

Pursuant to the contract, PAL Aerospace will be responsible for the in-service support of the new FWSAR aircraft, which covers all aspects of the maintenance work not undertaken by technicians from the Royal Canadian Air Force. This includes work such as repairs, second and third level maintenance, future modification work and deep level inspection of the aircraft. During 2017, PAL Aerospace successfully executed the initial milestones of the FWSAR contract related to the in-service support elements of the scope of work.

Management believes that AirPro SAR Services Inc. could pursue other opportunities between Airbus Defense and Space and PAL Aerospace that arise beyond the FWSAR contract.

Force Multiplier Aircraft

In 2017, PAL Aerospace continued the development of its Force Multiplier aircraft. The Force Multiplier, when complete, will be a contract intelligence, surveillance and reconnaissance aircraft platform to augment customer needs on a short or long term basis. The aircraft and mission systems are owned and operated by PAL Aerospace and missions are tasked at the discretion of the customer. Customer personnel will be permitted to actively participate in mission tasking as observers/mission commanders and/or as sensor operators for training purposes.

The Force Multiplier aircraft is a Bombardier Dash-8 Q300. It is equipped with modern sensors for the long range detection, classification and identification of surface and air targets. All sensor data is integrated into a shared tactical display inside the aircraft that contains two operator consoles, two training consoles and two observer stations with observation windows.

It is anticipated the Force Multiplier aircraft will be ready for operation in mid-2018.

Intangible Properties

PAL Aerospace or its predecessors have been operating for over 35 years and management believes that it has a solid reputation with its customers, including governments.

Cycles

PAL Aerospace is a direct supplier to a number of large manufacturers and governments whose sales may be dependent upon general economic cycles and governmental decisions on defence and security spending. Generally, the business of PAL Aerospace is not seasonal. As is typical with having government customers, PAL Aerospace's operations tend to be anti-cyclical. As governments face decreased budgets, they may look to third party service providers who are able to perform tasks previously undertaken by government in a more cost effective manner.

The current downturn in oil prices impacts the oil and gas customers of PAL Aerospace. These customers generally decrease their discretionary spending related to off shore drilling operations whenever there is a downturn in oil prices.

Employees

The relationship between management and employees of PAL Aerospace is considered to be good with no history of labour disruptions. As at December 31, 2017, PAL Aerospace employed approximately 430 people.

PAL Airlines' Business

Summary

PAL Airlines is a niche regional airline with primary hubs in St. John's and Goose Bay, Newfoundland and Labrador, Halifax, Nova Scotia and Montreal, Quebec. PAL Airlines provides passenger, charter, and freight services to communities throughout Newfoundland and Labrador, New Brunswick, Nova Scotia and Quebec.

The material areas of business for PAL Airlines are as follows:

(a) passenger service;

(b) freight service; and

(c) charter service.

Production and Services

PAL Airlines' fleet of aircraft is specifically adapted for passenger and freight configuration for its routes. PAL Airlines also has freight dedicated aircraft that move bulk goods, materials, equipment and fuel for both contract work and freight charter services. PAL Airlines has a partnership agreement with both the Innu and Inuit First Nations of Labrador to operate Air Borealis which specifically services coastal Labrador and the north shore of Quebec with Twin Otter aircraft.

Keewatin LP has stationed one of its King Air B200 medevac aircraft at Blanc Sablon, Quebec to assist PAL Airlines with services it provides to the residents of the St. Lawrence North Shore and Labrador.

Specialized Skill and Knowledge

Management believes that PAL Airlines has key competitive advantages as set out below.

<u>Personnel Experience and Relationships</u>

PAL Airlines has a strong management team with considerable experience in the industry. Its employees are focused on the needs of its customers and have a strong relationship with management.

<u>Marketing and Market Niche</u>

From its main bases located in St. John's and Goose Bay, Newfoundland and Labrador, Halifax, Nova Scotia and Montreal, Quebec, PAL Airlines operates daily scheduled passenger and cargo flights throughout Newfoundland and Labrador, New Brunswick, Nova Scotia and Quebec. PAL Airlines offers the most expansive flight network in Newfoundland and Labrador with the highest flight frequency into markets served. In addition, PAL Airlines operates a schedule of unit-toll freighter and cargo charter operations. PAL Airlines provides charter services to a variety of customers, including government, corporate clients and community groups and is a significant provider of air transportation to the resource sector in Labrador and Quebec. PAL Airlines is capable of providing customized charter service due to the versatility of its fleet.

<u>Aircraft</u>

PAL Airlines' fleet is well suited for both the markets and customers it serves.

<u>Facilities</u>

PAL Airlines operates out of four main bases St John's and Goose Bay, Newfoundland and Labrador, Halifax, Nova Scotia and Montreal, Quebec. Each of these bases provides overnight hangar facilities and maintenance personnel and equipment to the fleet operating out of each location. Management believes that initial set-up costs for operations in these markets represent a significant barrier to entry for potential competitors.

<u>Fixed Base Operations</u>

PAL Aviation Services is a wholly-owned Subsidiary of Provincial Aerospace that provides aircraft refueling and support services for aircraft, passengers and crews from government, military, charter and corporate aviation and scheduled airlines, including PAL Airlines. PAL Aviation Services has three locations:

(a) St. John's, Newfoundland and Labrador (exclusive dealer of Shell products);

(b) Halifax, Nova Scotia (exclusive dealer of World Fuel Services products); and

(c) Wabush, Newfoundland and Labrador (exclusive dealer of Avjet products).

Environmental liability and general commercial liability insurance for the Shell, World Fuel Services and Avjet re-fueling operations is provided by Shell, World Fuel Services and Avjet, respectively. Environmental and general commercial insurance has been secured for all other aspects of the re-fueling and bulk delivery operations.

<u>Long-term Customer Relationships</u>

The majority of PAL Airlines' core business is tied to contracts with long-standing customers for passenger service travel.

Components

PAL Airlines has long term relationships with multiple suppliers and has not had problems sourcing parts in the past. In addition, PAL Airlines benefits from the ability to work directly with Regional One in order to source aviation parts and engines which helps to reduce reliance on other suppliers. PAL Airlines can utilize the services of PAL Aerospace to perform and complete heavy maintenance checks.

PAL Airlines also has the in-house capability to carry out work on aircraft, including line maintenance as well as a battery, sheet metal and tire shop.

Competitive Conditions

There is no other carrier that services all of PAL Airlines' routes. PAL Airlines has the most expansive route network in Newfoundland and Labrador with the greatest flight frequency. Management believes that PAL Airlines also differentiates itself based on superior customer service and amenities in a time when add-on charges are becoming status quo. PAL Airlines competes with Air Canada affiliates throughout its flight network and with Pascan Aviation in select markets in Quebec.

In addition to operating its scheduled route network, PAL Airlines also offers its fleet for charter operations. PAL Airlines has competition in its charter market from Pascan Aviation, Air Inuit, EVAS, Chronos Aviation, Air Creebec, Nolinor, SkyJet, Maritime Air Charter and Chorus Aviation. PAL Airlines offers its charter customers several aircraft types and sizes to meet their needs.

New Products and Contracts

Air Borealis

In 2017, PAL Airlines and its partner in Innu Mikun Airlines, Innu Development Limited Partnership, welcomed a third partner: the Nunatsiavut Government, an Inuit regional government in Labrador. Together, they re-launched their partner airline as Air Borealis, which operates under PAL Airlines' operating certificate. Air Borealis is the only air transportation provider to both the north and south coasts of Labrador. In addition, since the launch of Air Borealis, both PAL Airlines and Air Borealis are serving markets along the north shore of Quebec. These markets connect with PAL Airlines' main network both in Newfoundland and Labrador and Quebec.

PAL Airlines has entered into a partnership with the Société de développement économique de Uashat mak Mani-Utenam ("**SDEUM**"), the economic development arm of the Innu of Sept-Îles, Quebec, with a view to facilitating economic opportunities of mutual benefit. The partnership is similar to those that PAL Airlines has developed with Indigenous communities in Labrador over the last 20 years.

In the summer of 2017, PAL Airlines worked together with the SDEUM to pursue a charter service agreement with Quebec Iron Ore, a subsidiary of Champion Iron Ltd., for charter flight services to the company's Bloom Lake Mine in Northern Quebec. PAL Airlines was awarded a three-year charter service agreement by Quebec Iron Ore to provide two charter flights per week.

Wabush Fuel Distribution Center

Late in 2017, PAL Aviation Services entered into a partnership with Avjet Holdings Inc. to establish a fuel distribution centre at Wabush Airport in the town of Wabush, in Newfoundland and Labrador. Prior to establishing the fuel distribution centre, there was only one other fuel dealer on the airfield and PAL Airlines was its largest customer. The PAL Airlines route network uses Wabush primarily as a connection point for its daily flights from the regions in Quebec and the Maritimes that it services.

Intangible Properties

PAL Airlines or its predecessors has been operating for over 40 years and management believes that it has a solid reputation both within the communities it serves as well as with the governments and businesses in the areas in which it operates.

Cycles

PAL Airlines covers a variety of regions and serves a variety of industries. Demand for its services does not vary significantly with the overall economy but demand can be impacted by certain economic conditions tied to the mining sector, the oil and gas sector and provincial governmental spending. Customer demand is relatively consistent year round, and is made up of both passenger and freight requirements. Winter weather conditions can at times negatively impact flying revenue however this is typically offset by increases in revenue from de-icing services provided by PAL Aviation Services.

Employees

The relationship between management and employees is considered to be good with no history of labour disruptions. As at December 31, 2017, PAL Airlines employed approximately 650 people.

Regional One's Business

Summary

Regional One is a purchaser, lessor and seller of aircraft, aircraft parts, engines and engine parts and other related support items applicable to regional/commuter aircraft. Regional One has a broad base of customers and daily demand from airlines and some government agencies in a number of countries around the world. Although Regional One has a broad global customer base, the majority of its revenue is generated in North America and Ireland.

The material areas of business for Regional One are as follows:

(a) parts – distribution of components and parts procurement;

(b) aircraft and engine leases – leases of regional aircraft and engines;

(c) aircraft and engine sales – sales of regional aircraft and engines; and

(d) other – provision of services such as asset management and consignment sales income.

Products and Services

Regional One offers a wide range of product and support services to meet the demands of its global customer base. In addition, Regional One has a portfolio of aircraft, engines, and spare parts including avionics, hydraulic and fuel system rotables, maintenance line-replacement-units, landing gears, propellers, and insurance spares (spares not typically held in stock by airlines due to cost/frequency of use) such as flight controls. As a result of its wide range of products and services, Regional One actively supports the aviation and airline Subsidiaries of the Corporation with aircraft and engine fleet requirements as well as spare parts support and technical services.

Specialized Skill and Knowledge

Regional One believes that it has the key competitive advantages as set out below:

<u>Personnel Experience and Relationships</u>

Regional One has a strong management team with considerable experience in the industry. The employees are focused on the needs of Regional One's customers and have a strong relationship with management.

Regional One's expertise and core competencies are directed at the global regional aviation aftermarket, in particular the 36 to 120 seat capacity jet and turbo-prop aircraft sector. Regional One's sales team is trained in the technical and functional applications of components that are applicable to Regional One's core market and products.

Team J.A.S. is a leading provider of parts, services and maintenance, repair and operations capabilities to Twin Otter aircraft operators throughout the world. Team J.A.S. is strategically complementary to Regional One's business, offering a new product platform for Regional One in the Twin Otter aircraft type and new capabilities as a FAA Part 145 Repair Station as an FAA approved parts manufacturer.

<u>Repair Management</u>

Regional One has established relationships with a number of FAA and European Aviation Safety Agency approved and certified component repair facilities who can handle the repair, modification and inspections on its portfolio of components, engines and aircraft.

<u>Component Exchanges</u>

Regional One offers flexible exchange transactions for aircraft (including flat rate exchanges and exchanges plus cost of repairs). Regional One also provides exchange pool services for various regional aircraft types and works extensively with its partners to provide advanced exchange services for power-by-the-hour and fixed cost maintenance type programs. In an exchange transaction, Regional One will facilitate a transaction by providing an overhauled or serviceable component and take possession of its "as removed" part on exchange, which is refurbished to be used again in the future.

Leasing

Regional One maintains an active aircraft and spare engine lease portfolio to support its airline customers. In addition to aircraft and engine leasing, Regional One provides leasing solutions for a wide variety of individual aircraft parts as well as parts packages including propeller assemblies, landing gear, and auxiliary power units.

Asset Valuation

Regional One provides industry standard comprehensive inspection and document review for all types of regional aircraft products. Regional One's staff are able to accurately estimate inventory net values including present values, liquidated (orderly liquidation value) and future residual values.

Certifications and Qualifications

Regional One is TAC2000 certified and a member of the Aviation Suppliers Association. Regional One conducts yearly quality surveys of its repair vendors and maintains copies of its certifications. Regional One is also certified by ISOQAR, Inc. in accordance with the requirements of AS 9104-A by ISOQAR, Inc. and is certified to the quality management system standards of ISO9001: 2008, incorporating the requirements of AS9100-C.

Competitive Conditions

The aviation aftermarket distribution segment is a mature industry with many large, mid-size and small competitors. Regional One's competitive advantage lies in its product line knowledge, knowledge of market conditions and detailed customer maintenance practices which enable it to anticipate forecasted requirements for spares, engines and aircraft. Regional One is able to directly source parts and engines for the other aviation Subsidiaries of the Corporation when required.

Components

Regional One has long term relationships with multiple suppliers which include large airline carriers, a variety of other secondary airline carriers and entities such as banks that need re-delivery of aircraft assets. Regional One has not had problems sourcing aircraft and parts in the past and can utilize the services of PAL Aerospace to perform and complete heavy maintenance checks.

New Products and Contracts

Expansion Into Asset Management Services

Regional One continues to expand into the asset management services marketplace where customers, such as banks and leasing organizations, use Regional One to manage re-delivery and re-marketing of aircraft that they own. During September 2016, Regional One was awarded a fee contract for the management of 20 aircraft. Regional One's expansion into the asset management services marketplace also gives Regional One access to new potential customers along with future opportunities with existing customers' aircraft portfolios.

Ireland Expansion

At the end of 2016, an office was opened in Dublin, Ireland to manage and expand the leasing portfolio. This region is considered to be the centre of the global aircraft leasing industry and the new office brings additional opportunities and capacity to continue to grow the leasing portfolio and related services.

Intangible Properties

Management believes that Regional One has a first-rate reputation in the aviation industry as an aftermarket distributor of aircraft parts that provides high quality service, on time, and at a fair price. Regional One has many long-term, loyal customers with whom it has developed a good working relationship. In most cases, the established relationship with Regional One's airline customers allows Regional One the opportunity to acquire aircraft, engines and components from these airlines, allowing for the strategic sourcing of future inventory and aircraft assets.

Cycles

Regional One's business is not seasonal and is not significantly impacted by general economic cycles; however it can be impacted by changes in the aviation industry that may change supply and demand factors for certain aircraft types and related parts. In times of low fuel prices, demand can shift towards less fuel efficient aircraft from newer aircraft types with more fuel efficient features.

Employees

The relationship between management and employees is considered to be good, with no history of labour disruptions. As at December 31, 2017, Regional One employed approximately 130 people.

Calm Air LP's Business

Summary

Calm Air LP is a niche regional airline with primary hubs in Winnipeg, Thompson and Churchill, Manitoba as well as Rankin Inlet, Nunavut. Calm Air LP provides essential passenger and freight service to isolated communities throughout northern Manitoba and Nunavut. In addition, Calm Air LP provides on-demand charter services to third parties with destinations throughout Canada and the United States.

The material areas of business for Calm Air LP are as follows:

(a) passenger service;

(b) freight service; and

(c) charter service.

Production and Services

Calm Air LP's fleet of aircraft is specifically adapted for passenger and freight configuration in the Canadian arctic. Calm Air LP also has freight dedicated aircraft that move bulk goods, materials, equipment and fuel for both contract work and freight charter services.

Specialized Skill and Knowledge

Management believes that Calm Air LP has key competitive advantages as set out below.

<u>Personnel Experience and Relationships</u>

Calm Air LP has a strong management team with considerable experience in the industry. The employees are focused on the needs of the customer and have a strong relationship with management.

<u>Marketing and Market Niche</u>

From its four main bases located in Winnipeg, Thompson and Churchill, Manitoba and Rankin Inlet, Nunavut, Calm Air LP operates daily scheduled passenger and cargo flights throughout Manitoba and the Kivalliq Region of Nunavut. In addition, Calm Air LP operates a schedule of unit-toll freighter and freight charter operations. Calm Air LP provides charter services to a variety of customers, including government, corporate clients and community groups. Calm Air LP is also capable of providing customized charter service due to the versatility of its fleet.

Calm Air LP's market niche of serving the passenger and freight requirements of the smaller Inuit communities in Nunavut has insulated it from many of the challenges typically faced by the airline industry as a whole. The Corporation has a strategic alliance with Sakku that allows Calm Air LP to better service customers in the Kivalliq Region, improve operational reliability and provide a facility from which to expand its northern operations.

Calm Air LP provides services for the transportation of non-emergent and other medical passengers on behalf of the Government of Nunavut. Calm Air LP is contracted to provide services within the Kivalliq Region and from the Kivalliq Region to Winnipeg, Manitoba. The initial contract was for a three year term from September, 2011 to August, 2014 and included three additional one year extensions at the option of the Government of Nunavut, which were all exercised. The Government of Nunavut has further extended the contract by an additional two years such that the contract will now expire on August 31, 2019.

Aircraft

Calm Air LP's current fleet consists of 12 aircraft, including seven ATR 42 aircraft and five ATR 72 aircraft. Calm Air LP has realized greater operational efficiencies through reduced aircraft variety now that its fleet consists of aircraft of a single aircraft type. Three of these aircraft are in full freighter configuration and five of them have combination kits that allow them to be used in various configurations to carry passengers, cargo or a combination of passengers and cargo. The combination kits enable Calm Air LP to accommodate a variety of passenger and freighter configurations to respond to the passenger loads of the day and seasonal demand.

Calm Air LP also has a "wet lease" arrangement with First Air to fly one of its routes between Winnipeg and Rankin Inlet using First Air's Boeing 737. This arrangement was made as part of the acquisition of all of the non-aircraft assets of First Air in the Kivalliq Region in July 2015.

Facilities

From its four main bases, Calm Air LP is able to operate daily scheduled passenger and freight flights throughout Manitoba and the Kivalliq Region of Nunavut. Calm Air LP has completed the construction of five freight depots throughout the regions it serves which allows it to deliver freight during non-peak times of the day and increase the utilization time of its ATR freighter aircraft. Management believes that initial set-up costs for freight depot operations in this environment represent a significant barrier to entry for potential competitors.

Fuel

Calm Air LP, through a Subsidiary of the Corporation, operates the Shell branded re-fueling operations at the Winnipeg and Thompson, Manitoba airports as well as the unbranded operation in Churchill, Manitoba. In addition, Calm Air LP, through a Subsidiary of the Corporation provides bulk fuel to communities in Manitoba and Northwest Ontario and to wholesalers and retailers. Environmental liability and general commercial liability insurance for the Shell branded re-fueling operations is provided by Shell. Environmental liability and general commercial liability insurance has been secured for all other aspects of the re-fueling and bulk delivery operations.

During the spring of 2017, severe flooding damaged the rail line to Churchill, Manitoba and the track has not been repaired to date. Calm Air LP used the rail line to resupply its jet fuel for its Churchill base. With uncertainty as to whether the rail line will ever be repaired, Calm Air LP has had to obtain jet fuel supplies by ship. Resupply by ship is more expensive and is only available in mid-July and late October. As a result of Calm Air LP having only limited jet fuel storage capacity in Churchill and there being only two opportunities for resupply by ship, opportunities for jet fuel resales to third parties in Churchill are no longer being pursued by Calm Air LP.

Environmental Matters

The environmental matters of concern to Calm Air LP relate to the storage of fuel in Churchill, Manitoba by a wholly-owned Subsidiary of the Corporation to which Calm Air LP flies. The wholly-owned Subsidiary of the Corporation maintains its fuel depots according to the required government regulations and has not had any material spills to date. Calm Air LP monitors the fuel tanks regularly and the fuel tanks get replaced or repaired when required. Management believes that Calm Air LP is adequately insured in the case of an accidental fuel spill.

Competitive Conditions

First Air, a northern based air carrier currently provides jet service from Rankin Inlet, Nunavut to Winnipeg, Manitoba on behalf of Calm Air LP pursuant to a "wet lease" agreement whereby First Air rents the aircraft, crew and other flight requirements to Calm Air LP for use in this service. This arrangement is a result of Calm Air LP acquiring all of the non-aircraft assets of First Air in the Kivalliq Region in July 2015 and allows First Air to sell tickets in this region through a codeshare arrangement.

Calm Air LP has competition in its charter market.

Components

Calm Air LP has long term relationships with multiple suppliers and has not had problems sourcing parts in the past. In addition, Calm Air LP benefits from the ability to work directly with Regional One in order to source aviation parts and engines which helps to reduce reliance on other suppliers and can utilize the services of PAL Aerospace to perform and complete heavy maintenance checks.

New Services and Contracts

During 2016, Calm Air LP's medical travel contract with the Government of Nunavut was extended and now expires August 31, 2019.

Calm Air LP entered into several new long term contracts with both freight and passenger customers in 2017. Customers of freight services included a major northern retailer and several smaller companies.

The North West Company terminated certain contracts with Calm Air LP in the summer of 2017 as it began to internalize certain of its air transportation operations, but subsequently extended its contracts with Calm Air LP for all communities in the Kivalliq Region of Nunavut to various dates in 2018, with the final contract set to expire on December 31, 2018. Calm Air LP's other large cargo customers also entered into long term freight contracts to reserve space on Calm Air LP's regular scheduled service combination routes, which provide service seven days a week.

Intangible Properties

Calm Air LP or its predecessors has been operating since 1962 and has a solid reputation both with the communities it serves as well as the governments and businesses in the regions that it operates.

Cycles

Most of the communities serviced by Calm Air LP are isolated and difficult or impractical to reach by ground transportation. As a result, the customer demand is made up of both passenger and freight requirements. Demand from Calm Air LP's market does not vary significantly with the overall general economy, however, Calm Air LP's operating results are impacted at times by changes in commodity prices and the mining industry. Poor winter weather conditions and low tourist demand generally result in weaker demand in the first quarter of the year.

Employees

The employees of Calm Air LP have either formed their own internal association (customer service agents) or are represented by the Canadian Union of Public Employees (flight attendants), Air Line Pilots Association, International (pilots), United Steelworkers (cargo personnel), or Unifor (maintenance employees, Winnipeg customer service agents and operational control centre).

There was an agreement in place with the maintenance employees which was to expire April 30, 2019. During 2017, the maintenance employees that were represented by an internal association decided to seek union representation from Unifor. Calm Air LP is currently in negotiations with Unifor with regards to a new agreement for its maintenance employees.

The agreement between Calm Air LP and its systems and operational control centre employees (represented by Unifor) was ratified in August 2016. The agreement is a three year agreement that expires August 1, 2019.

The customer service agents in Calm Air LP's Winnipeg base are represented by Unifor. A contract with the Winnipeg customer service agents was ratified in August 2017 and expires August 29, 2020. The customer service agents not represented by Unifor, but part of an employee association, ratified their agreement with Calm Air LP on December 6, 2017. The agreement is for three years.

The cargo employees in Thompson and Churchill, Manitoba are represented by the United Steelworkers. Their agreement expired December 31, 2017. Negotiations started in late 2017 are continuing as at the date hereof. Calm Air LP expects an agreement will be reached in 2018.

Calm Air LP's pilots are represented by the Air Line Pilots Association. Their agreement with Calm Air LP expires April 30, 2018. Calm Air LP and the Air Line Pilots Association have entered into interest-based negotiations and Calm Air LP expects to ratify an agreement in 2018.

The agreement between Calm Air LP and its flight attendants (represented by the Canadian Union of Public Employees), and the Churchill customer service agents (represented by the United Steelworkers) both expire on April 30, 2018. Neither group has yet provided notice to Calm Air LP to commence negotiations. Calm Air LP expects to receive notice to commence collective bargaining in the first quarter of 2018 and anticipates that agreements will be reached later in 2018.

The relationship between management and employees is considered to be good and there have not been any work disruptions since the unions were certified. As at December 31, 2017, Calm Air LP employed approximately 460 people.

Perimeter LP's Business

Summary

Perimeter LP is a niche regional airline that provides regular scheduled passenger airline service, medevac operations and freight services to locations in Manitoba and Northwestern Ontario. In addition, Perimeter LP provides on-demand charter services to third parties with destinations throughout Canada and the United States.

The material areas of business for Perimeter LP are as follows:

(a) passenger and freight service;

(b) medevacs service; and

(c) charter service.

On December 31, 2017, the Corporation transferred all of the assets of Bearskin LP to Perimeter LP pursuant to the Bearskin Merger. Following the Bearskin Merger, Bearskin LP was wound up and its operations were continued under the "Bearskin Airlines" name as a division of Perimeter LP. See *Narrative Description of the Business - Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Bearskin Airlines' Business* for a description of the business of the Bearskin Airlines division of Perimeter LP (formerly Bearskin LP).

Production and Services

Perimeter LP's strategy is based on the premise that its fleet of aircraft must be well suited to the markets that it services. Perimeter LP mainly operates two aircraft types allowing for operational efficiencies. Most of the communities serviced by Perimeter LP are isolated and difficult to reach by ground transportation (other than by ice-road in the winter) and as a result, customer demand is primarily made up of passenger, freight and medevac requirements.

Specialized Skill and Knowledge

Perimeter LP believes that it has key competitive advantages as set out below.

<u>Personnel Experience and Relationships</u>

Perimeter LP has a strong management team with considerable experience in the industry. The employees are focused on the needs of the customer and have a strong relationship with management.

<u>Marketing and Market Niche</u>

Perimeter LP has entered into community partnership agreements with most of the communities and umbrella organizations serviced by Perimeter LP. Perimeter LP's market niche of serving the passenger and freight requirements of the smaller First Nations communities in Northern Manitoba has insulated it from many of the challenges faced by the domestic airline industry as a whole.

Through its Bearskin Airlines division, Perimeter LP is able to offer continuous travel between most points in Manitoba and Northwestern Ontario, ranging east to west from Sudbury, Ontario to Winnipeg, Manitoba and north from this corridor. Freight service to the north now originates from Sioux Lookout and Thunder Bay, Ontario in addition to the core market offerings in Thompson and Winnipeg, Manitoba.

Aircraft

Perimeter LP's current fleet consists of 31 aircraft, including 23 Fairchild Metroliner ("**Metro**") aircraft, seven Dash 8 aircraft and one Merlin aircraft. Perimeter LP's experience has demonstrated that the Metro and Dash 8 aircraft are well suited to the communities it services. The Metro and Dash 8 aircraft are fast and fuel efficient and can be quickly configured to meet customer requirements (passenger, freight or medevac). In addition, the aircraft platform creates economies of scale and efficiencies in parts inventories, maintenance personnel and pilot training which in turn reduces costs and enhances reliability. Perimeter LP utilizes the Metro and Dash 8 aircraft for most of its scheduled, freight and charter services. Medevac services are provided exclusively using Metro aircraft. Perimeter LP is able to accommodate varying numbers of passengers and volumes of freight and is able to adjust the cabin configuration of its aircraft quickly and easily. The Merlin aircraft is used for charter services.

Facilities

Perimeter LP operates its own air terminal building at the Winnipeg James Armstrong Richardson International Airport. This facility is convenient for Perimeter LP's customers, is cost effective for Perimeter LP to operate, and provides a lower fee structure for certain pass through charges to Perimeter LP's passengers as compared to those passengers travelling through the main terminal.

Perimeter LP has set up northern service bases in Thompson, Manitoba and Sioux Lookout, Ontario to maintain the aircraft stationed there. Perimeter LP utilizes the main terminal at the Thompson airport for its scheduled, medevac and northern charter operations. Scheduled passenger service is provided at the Sioux Lookout main terminal while charter operations are provided at Perimeter LP's dedicated charter lounge located inside the Sioux Lookout aircraft hangar.

Fuel Storage

A wholly-owned Subsidiary of the Corporation, maintains bulk fuel storage capacity in a number of northern locations for Perimeter LP. This bulk fuel storage capacity provides an advantage over Perimeter LP's competitors that do not have such fuel storage capacity in these northern locations as such competitors can be limited in overall weight on their aircraft given the additional fuel needed to travel the long distances.

Environmental Matters

The environmental matters of concern to Perimeter LP relate to the storage of fuel by a wholly-owned Subsidiary of the Corporation at a number of the locations to which Perimeter LP flies. The wholly-owned Subsidiary of the Corporation maintains all of its fuel depots according to the required government regulations and has not had any material spills to date. Perimeter LP monitors the tanks regularly and the tanks get replaced or repaired when required. Management believes that Perimeter LP is adequately insured in the case of an accidental fuel spill.

Competitive Conditions

There is no carrier that services all of Perimeter LP's routes. The availability of winter roads provides customers with the potential opportunity to use vehicles for transporting people and freight.

There are a number of small airlines which do some medevac and charter work within the Province of Manitoba.

Components

Perimeter LP has long term relationships with multiple suppliers and has not had problems sourcing parts in the past. In addition, Perimeter LP benefits from the ability to work directly with Regional One and the other aviation Subsidiaries of the Corporation in order to source aviation parts and engines which helps to reduce reliance on other suppliers and can utilize the services of PAL Aerospace to perform and complete heavy maintenance checks.

Perimeter LP also has the in-house capability to carry out all work on its Metro planes (except for propeller repair or aircraft painting). Perimeter LP has the following in-house shops: engine overhaul, electrical, non-destructive testing, avionics, engineering and aircraft structures.

New Services and Contracts

Perimeter LP has expanded its operations in Northwest Ontario with service north and west from Sioux Lookout. In 2017, Perimeter LP added or expanded service into Bearskin Lake, North Spirit Lake, Deer Lake, Cat Lake, Round Lake and Sachigo. A community partnership agreement was entered into with one community from this region. Perimeter LP also continued to renew community partnership agreements with communities and related organizations from Manitoba during 2017. Management believes that community partnership agreements provide member communities with unique benefits and help foster a sense of ownership at the grassroots level.

Intangible Properties

Perimeter LP or its predecessors has been operating since 1960 and has a solid reputation both with the communities it serves as well as the governments and businesses in the areas it operates.

Cycles

Most of the communities serviced by Perimeter LP are isolated and difficult or impractical to reach by ground transportation other than by ice-roads during a portion of the winter season. As a result, customer demand is weaker in the first quarter of the year when the ice-roads are in place.

Employees

Perimeter LP’s pilots and flight attendants are both represented by Unifor. The agreement between Perimeter LP and its pilots was ratified in February 2017 and expires in February 2022. The agreement between Perimeter LP and its flight attendants was ratified in June 2017 and expires in February 2021.

The relationship between management and employees is considered to be good and there has not been any work disruptions since the union was certified. As at December 31, 2017, Perimeter LP employed approximately 570 people.

Bearskin Airlines’ Business

Summary

On December 31, 2017, the Corporation transferred all of the assets of Bearskin LP to Perimeter LP pursuant to the Bearskin Merger. Following the Bearskin Merger, Bearskin LP was wound up and its operations were continued under the “Bearskin Airlines” name as a division of Perimeter LP. The Bearskin Merger did not result in any immediate material changes to the operations of Bearskin Airlines as it still operates as an independent airline, separate from the operations of Perimeter LP. It is anticipated that the merger of the operations of Bearskin Airlines and Perimeter LP will occur over the course of the remainder of 2018. The operational merger of Bearskin Airlines and Perimeter LP will allow the two airlines to adopt the best practices from both airlines and management expects to gain efficiencies as they become one entity.

Bearskin Airlines is a niche regional airline that provides regular scheduled passenger airline service, charter and freight services to locations in Ontario and Manitoba.

The material areas of business for Bearskin Airlines are as follows:

(a) passenger and freight service; and

(b) charter service.

Production and Services

Bearskin Airlines fleet of aircraft is specifically adapted to provide high frequency passenger service on short segments throughout Ontario and Manitoba. Bearskin Airlines’ business is largely related to scheduled passenger service; however, Bearskin Airlines is also involved in carriage of time sensitive small freight items and providing charter services.

Specialized Skill and Knowledge

Management believes that Bearskin Airlines has the key competitive advantages set out below.

<u>Personnel Experience and Relationships</u>

Bearskin Airlines has a strong management team with considerable experience in the industry. Management believes that Bearskin Airlines' employees are focused on the needs of the customer and have a strong relationship with management.

<u>Marketing and Market Niche</u>

Bearskin Airlines' market niche is the provision of high frequency scheduled air service on short haul routes that do not have enough passengers to warrant the use of large aircraft utilizing efficient small gauge equipment. These routes are often not viable with larger equipment when offering similar frequency.

In select regions, schedules are designed to feature connections primarily to Air Canada and Delta Airlines with whom Bearskin Airlines maintains interline e-ticketing agreements, and to a lesser extent WestJet and Porter Airlines, in the Thunder Bay and Winnipeg hubs. Bearskin Airlines offers joint fares and connections with Perimeter LP in Sioux Lookout and Thunder Bay, Ontario.

<u>Aircraft</u>

Bearskin Airlines operates a single aircraft type allowing for operational efficiencies. The 19 passenger Metro was developed specifically to serve the regional airline market. Bearskin Airlines currently operates 11 Metros on scheduled passenger and charter service. Equipped with twin turbine engines, pressurized aircraft offer exceptional speed and range and are ideally suited for high frequency service on routes that do not have enough passengers to warrant the use of large aircraft. Operational efficiencies coming from a single aircraft type are created through savings in flight crew and maintenance personnel training, and spare inventories, while providing a consistent service offering to its passengers.

<u>Facilities</u>

From its main base of operation at Thunder Bay, Ontario, Bearskin Airlines operates daily scheduled passenger service to 11 destinations ranging from Winnipeg, Manitoba in the west to North Bay, Ontario in the east. No other airline offers more service among Northern Ontario's largest cities.

Competitive Conditions

Bearskin Airlines' strongest competitors on short stage length flights are often the automobile travelling provincial highways and much larger airlines using airports that offer more indirect routings than are featured by Bearskin Airlines. Bearskin Airlines competes directly with a few other airlines on scheduled passenger and charter business.

Components

Bearskin Airlines has long term relationships with multiple suppliers and has not had problems sourcing parts in the past. In addition, Bearskin Airlines benefits from the ability to work directly with Regional One in order to source aviation parts and engines which helps to reduce reliance on other suppliers.

Intangible Properties

Bearskin Airlines or its predecessors have been operating since 1963 and has a solid reputation within the communities it serves and with the governments and businesses in the areas it operates.

Cycles

Bearskin Airlines caters to a business market, therefore there is a degree of seasonality associated with its operations. Summer months and the December holiday season are typically slower than spring, fall and winter months as these are common holiday times for business travelers.

Employees

The Bearskin Airlines employee group is made up of non-union and union staff.

The passenger service agents in Winnipeg, Manitoba and Sioux Lookout, Thunder Bay, Sudbury and Timmins, Ontario are all represented by the United Food and Commercial Workers, Locals 175 and 832. The Winnipeg passenger service agents have signed a new 3-year contract effective December 2016. The Thunder Bay and Timmins passenger service agents' signed a three-year agreement in February 2018. The Sudbury and Sioux Lookout passenger service agents' agreements are due for renewal in 2018 and negotiations are scheduled for the second quarter of 2018.

Bearskin Airlines' pilots are all represented by the Air Line Pilots Association. In January 2016, the Bearskin Airlines pilots signed an agreement that is in effect until December 2020.

The International Association of Machinists and Aerospace Workers Local 2413 covers two contracts of Bearskin Airlines including one for Bearskin Airlines' aircraft engineers, building maintenance, and parts workers in Thunder Bay, Ontario and one for Bearskin Airlines' ramp attendants and groomers in Thunder Bay and Sioux Lookout, Ontario. The ramp attendants and groomers signed a 3-year agreement in January, 2016. The aircraft engineers, parts staff and building maintenance workers signed a 3-year agreement in November, 2016.

The relationship between management and employees is considered to be good and there has not been any work disruptions since the unions were certified. As at December 31, 2017, Bearskin Airlines employed approximately 170 people.

Keewatin LP's Business

Summary

Keewatin LP is a niche airline providing medevac and charter services to locations in Nunavut, Northwest Territories, and northern Manitoba. Although Keewatin LP operates charter services, its main focus is and has always been medical travel. Keewatin LP and its predecessors have operated in the Canadian Arctic for over 47 years, logging over 180,000 hours of medevac airtime in some of the most challenging environmental conditions in the world.

The material areas of business for Keewatin LP are as follows:

(a) medevacs service; and

(b) charter service.

Production and Services

Whether it is moving passengers with medical needs on charter aircraft or transporting a critically ill patient on an air ambulance, Keewatin LP has made medical travel its specialty. The air medical program is recognized as one of the best air ambulance services in Canada. Keewatin LP is committed to the provision of the best possible air services in Nunavut. Keewatin LP has invested substantially in the infrastructure needed to provide around the clock medically oriented air services in Nunavut and northern Manitoba.

Following several successful years of service to the Government of Nunavut Department of Health and the residents of Nunavut, Keewatin LP was awarded the third region of Nunavut (the Kitikmeot Region) to provide medevac services (the "**Kitikmeot Contract**"). This award marked a new era of medevac services in Nunavut as Keewatin LP is now the sole source provider of emergent air ambulance (medevac) services to all three regions of Nunavut. The Kitikmeot Contract became effective on December 1, 2017. In connection with this contract, Keewatin LP established two additional bases: one in Cambridge Bay, Nunavut and one in Yellowknife, Northwest Territories. A base of operations was established in Yellowknife, as the majority of the patients from the Kitikmeot Region receive hospital care at Yellowknife's Stanton Territorial Hospital.

The medical transport market has been the major focus of Keewatin LP since the late 1980s which it operates through its division, Nunavut Lifeline. On December 1, 2011 the Nunavut Lifeline division of Keewatin LP was awarded a five-year contract (the "**Kivalliq Contract**") to provide exclusive medevac services for the Government of Nunavut's Department of Health in the Kivalliq Region of Nunavut. Service to the Government of Nunavut for the Kivalliq Contract is based out of Rankin Inlet, Nunavut with a sub-base in Churchill, Manitoba, exclusively using the King Air B-200 aircraft. The Government of Nunavut exercised its option to extend this contract at its expiry on December 1, 2016 for two additional years to December 1, 2018. The Government of Nunavut has tendered a request for proposals for the subsequent contract for the Kivalliq Region. It is anticipated that the contract will be awarded to the successful applicant in the second quarter of 2018.

Subsequent to 2017, Keewatin LP was successfully awarded the contract to continue to provide and expand its medevac services in the Baffin Region of Nunavut for the Government of Nunavut (the "**Baffin Contract**"). As part of the Baffin Contract Keewatin LP will be establishing an additional base in the Baffin Region. The Baffin Contract is a five-year contract with two one year renewal options to the Government of Nunavut. This contract will expire March 31, 2023.

Keewatin LP has stationed one of its King Air B200 medevac aircraft at Blanc Sablon, Quebec to assist PAL Airlines with the services it provides to the residents of the St. Lawrence North Shore and Labrador.

Specialized Skill and Knowledge

Management believes that Keewatin LP has the key competitive advantages set out below.

<u>Medical Expertise</u>

Nunavut Lifeline provides the nursing and medical expertise required to develop and maintain advanced air medical operations. Nunavut Lifeline operates a 24/7 air medical service from bases at Rankin Inlet, Iqaluit, and Cambridge Bay, Nunavut as well as Yellowknife, Northwest Territories and Churchill, Manitoba. These bases are located strategically to be in a position to strengthen and support each other if required as a result of high volume or poor weather.

With the recent addition of the Kitikmeot Contract, Keewatin LP now has the ability to draw upon resources from all major regions of Nunavut depending on call volumes and weather issues, among other factors. With the addition of two more strategic bases as well as two more King Air B200 aircraft, Keewatin LP can quickly adjust and develop efficient and effective plans to meet the needs of its customers. The integrated program provided by Nunavut Lifeline in Nunavut has developed into an advanced, professional and experienced medical program. This expertise has resulted in the Government of Nunavut engaging Keewatin LP on an exclusive basis to provide medevac services.

<u>Aircraft</u>

Keewatin LP's current fleet consists of 12 aircraft, including nine Beechcraft King Air B200's, two Learjet 35A's, and one Pilatus PC12.

<u>Facilities</u>

Keewatin LP has hangar facilities with offices in Cambridge Bay, Rankin Inlet and Iqaluit, Nunavut; Yellowknife, Northwest Territories; and Winnipeg and Churchill, Manitoba. Some of the facilities are custom designed for Keewatin LP's unique operations and some are more general hangar space and offices. In total Keewatin has approximately 90,000 square feet of hangar space overall with offices, meeting rooms and storage.

The Winnipeg facility is home to Keewatin LP's head office and senior management group, and includes a modern passenger departure lounge that all the Winnipeg based aviation Subsidiaries of the Corporation utilize. The Winnipeg hangar space is shared by other Winnipeg based aviation Subsidiaries of the Corporation and is where Keewatin LP conducts a majority of its heavy maintenance.

Competitive Conditions

Keewatin is the exclusive provider of medevac services in Nunavut pursuant to its contracts with the Government of Nunavut. Keewatin LP works as part of a joint venture arrangement with a company called Northern Networks Ltd. and the Kitikmeot Contract was bid by this joint venture as a registered Inuit business. Keewatin LP is the sole provider of air services under the Kitikmeot Contract and has the operating certificate to perform the services contracted thereunder.

Keewatin LP has a similar joint venture arrangement with another Inuit business, Sakku, and was awarded the Baffin Contract and the Kivalliq Contract through this joint venture.

Keewatin LP has competition on its charter operations. Operators in Iqaluit, Nunavut, carry out itinerant flights in and through the Kivalliq Region. In the west, there are a number of operators that occasionally provide charter services in the region.

Keewatin LP works with the local and regional authorities to provide medical transportation services to the region. The team of professionals dedicated to the Nunavut Lifeline division is knowledgeable and experienced and represents a competitive advantage over others wishing to enter the industry. Keewatin LP's commitment to the region is further demonstrated by its chartered services that it provides in the communities.

Economic Dependence

The medevac services provided pursuant to the Kitikmeot Contract, the Kivalliq Contract and the Baffin Contract represent a significant portion of Keewatin LP's overall revenue and as such there is economic dependence on these contracts.

Changes to Contracts

The three medevac contracts that Keewatin LP has with the Government of Nunavut have performance provisions within them which could impact the contracts. Management is confident that all performance provisions can and will be met and that the contracts will reach their mature term. In addition to these contracts, Keewatin LP also is a certified medevac transporter for the Government of Manitoba.

Cycles

As a niche airline providing medevac and chartered passenger services to locations in Nunavut and northern Manitoba, Keewatin LP's business is driven by the necessity to move people and supplies in and out of communities that are not serviced by other means of transportation. As a result, Keewatin LP's business does not tend to be cyclical in nature.

Employees

Maintenance personnel and pilots of Keewatin LP are unionized. Contract negotiations were completed during 2016 and an agreement is in effect with the maintenance personnel until January, 2019. An agreement with Keewatin LP's pilots' union is in effect until November, 2018 and negotiations for a new contract are expected to begin in the third quarter of 2018.

The relationship between management and employees is considered to be good and there has not been any work disruptions since the unions were certified. As at December 31, 2017, Keewatin LP employed approximately 150 people.

Custom Helicopters' Business

Summary

Custom Helicopters is a rotary wing aviation company that operates several bases strategically located, primarily in Manitoba but also in Nunavut and British Columbia. Custom Helicopters also performs field operations seasonally throughout Canada.

Production and Services

Custom Helicopters' strategy is to have a versatile fleet of aircraft that can provide a range of rotary wing related services. Utilizing its helicopter fleet from its various bases, Custom Helicopters offers reliable service with less travel to get to its customers' project locations. The bases also provide shelter and basic maintenance facilities outside of Custom Helicopters' main hangar at St. Andrews, Manitoba airport.

The material areas of business for Custom Helicopters consist of a combination of long term contract work and ad hoc services when demand for services are required, such as emergency related services for forest fire suppression and flood evacuation. Custom Helicopters services a variety of industries and customers but mostly provides service to hydro and mining related companies and government organizations.

Specialized Skill and Knowledge

Custom Helicopters believes that it has key competitive advantages as set out below.

Personnel Experience and Relationships

Custom Helicopters has a strong management team with considerable experience in the rotary wing industry. The maintenance shop's personnel experience and capabilities allow Custom Helicopters to perform the majority of maintenance services on its aircraft and ensure the fleet is ready to meet certain longer-term and distant jobs without the need for aircraft service interruptions.

Aircraft

Custom Helicopters has 24 rotary wing aircraft consisting of seven Bell 206B JetRangers, six Bell 206 LongRangers, three Bell 205 A1's, five Airbus AS350-B2's, two Airbus B3e's and one Airbus EC135P2+. With the size of its fleet, Custom Helicopters is able to dedicate a particular aircraft to meet customer requirements. The various types of aircraft within the fleet allow Custom Helicopters to perform a variety of services including both short and long-term contracts, requiring light to medium lift capabilities.

The Airbus EC135P2+ aircraft purchased in 2016 is Custom Helicopters' first twin engine helicopter, which allowed it to upgrade its airline operating certificate to include instrument flight rules and night flying. In 2017, Custom Helicopters increased its night flying operations and is implementing procedures with the use of night vision imaging systems for increased safety and enhanced operations.

Facilities

The head office and main maintenance hangar of Custom Helicopters is located just north of Winnipeg, Manitoba at St. Andrews Airport. Custom Helicopters also operates bases in Island Lake, Gillam, The Pas and Thompson, Manitoba as well as in Rankin Inlet, Nunavut and Kamloops, British Columbia. These strategic bases are spread throughout the major regions of Manitoba and Nunavut serviced by Custom Helicopters and allow for shelter for its aircraft and ability to perform basic maintenance and equipment changes on the aircraft for various job types to avoid having to ferry the aircraft back to the St. Andrews hangar.

Bell Customer Service Facility

Custom Helicopters is an authorized Bell Helicopter customer service facility and its staff receives factory training on all equipment types it operates. This allows for Custom Helicopters to hold a large spare parts inventory at competitive pricing from Bell Helicopter as the majority of its fleet consists of Bell Helicopter aircraft.

Fuel Storage

Custom Helicopters maintains bulk fuel storage capacity in a number of northern locations in which it operates. This bulk fuel storage capacity provides an advantage over its competitors that do not have such fuel storage capacity.

Environmental Matters

The environmental matters of concern to Custom Helicopters relate to the storage of fuel at a number of the locations to which it flies. Custom Helicopters maintains all its fuel depots in accordance with required government regulations and has not had any material spills to date. Custom Helicopters monitors its tanks regularly and replaces them when required. Custom Helicopters believes it is adequately insured in the case of an accidental fuel spill.

Competitive Conditions

The marketplace in which Custom Helicopters operates is based on its equipment capacity and pricing. Custom Helicopters has by far the largest operating fleet of rotary wing aircraft in Manitoba. Most other local helicopter operators in Manitoba are small two or three helicopter operations. The rotary wing business allows for competitors to more easily enter a market than the fixed wing business. As demand is generated, competitors have either the available aircraft capacity in its fleet or the marketplace pricing attracts them. As industries and markets outside of Manitoba and Nunavut that utilize rotary wing aircraft reduce demand for those companies' services, more pressure is put on Custom Helicopters as those competitors are more attracted to the Manitoba and Nunavut regions. Currently the mining exploration sector is at the low end of the business cycle, which has led to increased competition in Custom

Helicopters' market over the last couple of years. This has made it necessary for Custom Helicopters to expand into other markets and locations, such as British Columbia.

The fact that Custom Helicopters is a Manitoba based company with several hangars and maintenance facilities allows it to have aircraft strategically located in a sheltered environment throughout the province and also in Nunavut. This is a competitive advantage, especially during seasons when having aircraft unsheltered results in difficulty operating the aircraft.

Custom Helicopters and Piminawin G.P. Inc. are part of a joint venture to bid on certain tendered and chartered helicopter services as a qualified Manitoba First Nations business. Custom Helicopters is the sole provider of helicopter services to the joint venture.

Components

Custom Helicopters has access to inventory and parts to maintain its aircraft and has the in-house capability to carry out component overhaul work on its fleet. Being a certified Bell Helicopter customer service facility requires certain training of personnel and certain inventory thresholds. The majority of Custom Helicopters' fleet consists of Bell Helicopter rotary wing aircraft.

New Services and Contracts

During 2016, Custom Helicopters opened an operations base in Kamloops, British Columbia. This was done in order to access opportunities in that region. Custom Helicopters has since secured multi-year heli-skiing contracts in the region and management believes that there is potential for further growth.

Custom Helicopters is qualified to provide emergency medical services requirements in northern Manitoba. Custom Helicopters has established several night landing sites throughout the region providing emergency transport to remote areas that present many challenges to moving people in and out, particularly in emergency situations. This service includes day and night operations and can be conducted in instrument flight conditions.

Custom Helicopters has also recently increased its third-party maintenance business, which provides support to other helicopter operators with parts and component overhauls.

Intangible Properties

Custom Helicopters is well known in the markets in which it operates, primarily Manitoba and Nunavut, and has a good reputation in those markets based on its long-standing history of quality service since commencing operations in 1977.

Cycles

The winter season during the fourth quarter and the first quarter is historically when customer demand is the lowest for Custom Helicopters as seasonal work for wildfires, flood evacuation and remote mineral exploration typically occurs in the spring and summer months. As well, during the winter season, ice-roads are available which makes ground transportation an option for some of its customers.

Employees

The relationship between management and employees is considered to be good, with no history of labour disruptions. As at December 31, 2017, Custom Helicopters employed approximately 60 people.

Description of the Business of the Operating Subsidiaries - Manufacturing

Quest Windows' Business

Summary

Founded in 2000, Quest Windows is a manufacturer of an advanced unitized "window wall system" used primarily in high-rise multi-residential developments. Quest Windows produces the entire building envelope, that is, all of the elements of the outer shell of a building, including the windows, doors, awnings and opaque areas that make up the surrounding exterior walls of a building. Quest Windows' ECOWALL system is a ready to install, pre-glazed and highly customizable product that has been used in buildings in many major North America urban markets, including Toronto, Los Angeles, San Francisco, New York, Seattle, Chicago, Washington D.C., Calgary, Vancouver and Winnipeg. Quest Windows was founded in 2000 and in 2014 the company expanded into the US market. Quest Windows customizes its products to meet customer requirements. Management believes that Quest Windows has a good reputation in the construction industry for developing innovative solutions for customers and providing high quality products with on-time delivery. Quest Windows' products are easy to install from the inside of the building and seal off the building to the exterior floor by floor. This feature reduces the amount of onsite labour required and enables a building to be constructed more efficiently and to be sealed off from weather elements in less time.

Products and Services

Located in Mississauga, Ontario, Quest Windows operates two adjacent, leased manufacturing facilities totaling over 180,000 sq. ft. As announced by the Corporation in early 2018, Quest Windows will be expanding to add a new manufacturing facility in the United States. Quest Windows' products and services are summarized below.

<u>ECOWALL</u>

> Quest Windows' ready to install ECOWALL solution provides customers with a convenient, high performing, aesthetically pleasing and customizable product, allowing Quest Windows to be flexible during the design and assist phase of construction. ECOWALL is installed from the inside of the building and is transported through the construction elevator as opposed to externally via a crane. When compared to curtain wall, this reduces project costs and expedites the construction process, as the building façade is enclosed by floor rather than by elevation, allowing the interior finishing trades to commence work sooner and ultimately complete a building more quickly. Quest Windows' ECOWALL is typically used in multi-residential buildings in the 20-60 floor range.

<u>Design Assist</u>

> While typically performed as a complimentary service during contract negotiations, Quest Windows offers design assistance services to both existing and potential new customers. Design assistance occurs during the drafting of a building's design and Quest Windows works with architects, developers, and general contractors to ensure that the final design achieves all requirements and objectives.

<u>Installation</u>

> In Canada, Quest Windows is the lead contractor on the installation of its products and, as a result, provides installation services. These services are performed by a group of highly skilled and dependable sub-contractors who derive a significant portion of their installation work from Quest Windows projects. In the US, Quest Windows offers only products and does not provide installation services.

Specialized Skill and Knowledge

Management believes that Quest Windows has the key competitive advantages set out below.

<u>Differentiated Product Positioning</u>

> As described above, Quest Window's unique ECOWALL system is different from the products of its competitors in both design and installation.

Personnel Experience and Relationships

Quest Windows has a highly experienced management team, with nearly 100 years of cumulative industry experience. The team leads the product innovation, sales, design assist, and production functions within the company.

Quest Windows' sales team, led in-house by management of Quest Windows, and supported by two independent sales agents for the US market, benefit from extensive industry relationships, which have been developed over time. These relationships together with the nature of Quest Windows' products and services have led to a significant amount of repeat and referral business.

Vertical Integration

Quest Windows has vertically integrated several manufacturing functions, including robotic glass cutting and tempering. As a result, the company benefits from a more reliable source of tempered and insulated glass, resulting in shorter lead times compared to its competition.

Competitive Conditions

Quest Windows' competitors consist primarily of manufacturers of window wall or curtain wall products intended for use in multi-story high-rise buildings. While there are many competitors in the general window market, including catalogue unitized windows and curtain wall, there are two main competitors that offer a product similar to Quest Windows: Toro Aluminum and Starline Windows.

Components

Quest Windows has long term relationships with multiple suppliers and has not had any difficulty sourcing raw materials in the past in order to produce and manufacture its products. The vast majority of components relate to glass and aluminum, which are sourced from the United States.

Intangible Properties

Management believes that Quest Windows has developed strong brand equity in the construction industry as a manufacturer that provides a high quality product, on time, and for a competitive price. Quest Windows has many long-term, loyal customers, which has led to significant repeat customer business and referrals.

Cycles

Quest Windows is a direct supplier to a number of customers whose sales may be dependent upon general macro-economic cycles. Such risk is mitigated in part as a result of the geographic distribution of the Quest Windows' customer base, both in Canada and in the United States. Generally, the operations of Quest Windows are not seasonal in nature, as the geographic distribution of its customer base results in year-round construction.

Employees

The relationship between management of Quest Windows and its employees is considered to be good, with no history of labour disruptions. Quest Windows utilizes a combination of unionized labour and temporary staff within its production facilities. As at December 31, 2017, Quest Windows' employed approximately 400 people, either directly or through temporary staffing agencies.

WesTower's Business

Summary

WesTower is focused on the engineering, design, manufacturing, construction, on-going maintenance and technical service of wireless and wireline infrastructure and other communication sites throughout Canada. WesTower provides turn-key services and is the largest national telecommunications infrastructure provider in Canada.

Products and Services

WesTower maintains an in-house engineering staff that works with customers on tower design and reinforcements, manufactures communication towers, parts and components, performs construction and technical services including the installation of towers, communication equipment and other infrastructure, and performs other wireless and wireline services.

Specialized Skill and Knowledge

Management of WesTower believes that it has the key competitive advantages set forth as follows:

Personnel Experience and Relationships

> WesTower has a strong management team with considerable experience in the Canadian communications infrastructure industry. The majority of the senior management team, and a large percentage of the greater workforce, have been with WesTower for many years.

Operations

> WesTower is strategically located throughout Canada with 10 operating offices including three manufacturing facilities. This national presence is a key competitive advantage, as many of its customers operate on a national basis and value a supplier's ability to provide services that cover multiple geographic regions.

Competitive Conditions

WesTower offers its customers a turn-key solution including design and engineering services, tower manufacturing, civil (construction work), installation (tower erection), on-going maintenance and technical services. The majority of competing service providers are specialized in certain areas, such as technical services or tower erection, and tend to only participate in those areas. Certain competitors act as civil or general contractors and then subcontract out the portions that are outside of their core work. Further to this, very few competitors offer services nationally. Offering these services on a national basis has put WesTower into a position where national carriers benefit from a supplier that can service their needs across their networks.

Components

WesTower has long term relationships with multiple suppliers and has not had problems sourcing raw materials in the past. WesTower produces the majority of the towers that it erects out of three company-owned and operated facilities.

Intangible Properties

WesTower was founded in 1990 and has a strong reputation in the industry as a designer, manufacturer, installer and supplier supporting the wireless industry. WesTower is known for providing high quality products, competitive pricing as well as completing jobs on time. WesTower has long-term, loyal customers with whom it has developed good working relationships.

Economic Dependence & Contracts

WesTower works with its customers through several contracts, purchase orders and master service agreements. Master service agreements typically contain the terms and conditions that govern work performed for the respective customer and do not have a total dollar guarantee attached to them. The majority of WesTower's revenue has historically been generated from three customers.

Cycles

WesTower is dependent on the spending and technology cycles in the telecommunications sector. Work performed under master service agreements is performed pursuant to individual purchase orders or contracts which include the scope and price for individual projects. Accordingly, WesTower's work volume fluctuates throughout a calendar year. However, sales are diversified across new tower construction, upgrades of existing towers and networks, and maintenance-related activities, which help to lessen this impact.

The seasonality for WesTower is tied to the outdoor construction and maintenance of wireless infrastructure which therefore has a seasonal component coinciding with winter weather conditions, as well as the annual customer capital spending cycles which has historically resulted in greater work volume during the third and fourth quarter of the year.

WesTower is impacted by technology cycles as telecommunications companies traditionally undertake larger capital programs when they are modifying or expanding their networks immediately prior to and after the launch of a new wireless generation (3G, 4G, etc.). Therefore, demand for WesTower's services traditionally declines following a launch of a new wireless generation as wireless networks become updated.

Employees

The relationship between management and employees is considered to be good, with no history of labour disruptions. As at December 31, 2017, WesTower employed approximately 420 people.

Stainless' Business

Summary

Stainless is located in Springfield, Missouri and operates mainly in the United States. Stainless designs and manufactures high quality, shop and field fabricated ASME code tanks and tanks that meet the American Petroleum Institute 620 and 650 requirements. Vessels ranging from one gallon to 60,000 gallons are typically built in the shop and tanks up to 700,000 gallons are built on-site. Field crews also make repairs and modifications to existing tanks.

Production and Services

Stainless operates two leased manufacturing facilities in close proximity and has a total of 85,000 square feet of production space and 7,000 square feet of warehouse space. In early 2018 Stainless signed a new lease for an additional 25,000 square feet of manufacturing space as a third facility also in Springfield, Missouri.

<u>Custom Manufacturing</u>

Stainless provides equipment for a variety of industries including pharmaceutical, ethanol, chemical, food, dairy, beverage, health and cosmetics. All equipment is custom designed and built to meet customer requirements. Stainless also offers a unique freezer enclosure that is different from the typical cylindrical vessels it builds. These products are highly specialized, very large, and rectangular in shape. Stainless works closely with its customers to meet their application, modifying the design as needed.

<u>Other Sales</u>

- Tank Components: Stainless sells tank components such as full pipe coils, tank ladders, rest platforms and handrails.
- Repairs and Modifications: Stainless performs on-site inspections of damaged tanks, makes recommendations for repairing or replacing damaged tanks and performs field repairs or modifications to existing tanks.
- Labour Only: Stainless fabricates man-ways, shear material, roll shells, weld and grind seams, etc. for smaller local companies and contractors around the US. Typically, these customers provide the materials and Stainless provides the labour only.
- Electropolish Finishing: Stainless electropolishes tanks, parts, and components for customers.
- Replacement Parts: Stainless sells replacement parts for tanks including man-way gaskets, mixer parts, freezer parts, tank vents, etc.

Specialized Skill and Knowledge

Management believes that Stainless has the key competitive advantages set out below.

<u>Personnel Experience and Relationships</u>

Stainless has a strong management team with considerable experience in the stainless fabrication industry. Stainless has long term dedicated employees. Over one-third of its personnel have been with Stainless 10 years or more and many for over 15 years. Welders and grinders must be formally trained (trade school) and have on-the-job experience. Since Stainless is an ASME shop, welders must successfully complete the weld tests administered by Stainless to be ASME certified.

On-site fabrication of stainless steel vessels is a highly specialized process. There are no unskilled workers on a field crew. A field crew member must have attended a two year trade school or have at least two years of experience in all facets of building stainless steel tanks, and must be ASME certified. Unlike the shop, field crew members erect tanks on-site using a method developed by the founders of Stainless. This method employs equipment and procedures exclusive to Stainless and allows personnel to work at ground level, providing higher quality welds, a higher level of safety, and increased efficiency.

Certifications and Qualifications

Stainless has an Engineering Director with over 25 years of experience. He is a Licensed Professional Engineer and has a Bachelor of Science in Mechanical Engineering and a Master's Degree in Engineering Management.

Stainless also has two design engineers. Both have degrees in mechanical engineering and one is a licensed Professional Engineer. The Engineering Director and the Design Engineers are responsible for structural, agitation and heat transfer design for equipment supplied by Stainless.

In addition, Stainless has eight Computer Aided Designers (using AutoCAD 2018 and Inventor 2018). The average industry experience within its engineering division is 25 years.

Quality control responsibilities include inspecting tanks, comparing specifications to drawings and finished product, extensive record keeping, and ensuring that Stainless follows the guidelines set forth by the governing bodies such as the ASME (the governing body that sets standards for building pressure vessels), European Pressure Directive, and the American Petroleum Institute (governing body that sets different standards than ASME for building certain vessels). Stainless oversees testing of completed tanks including in-house x-ray, hydro-test, finish thickness studies (profilometer), and positive material identification testing. Stainless works with customer inspectors during factory acceptance tests and is responsible for putting together the final documentation packages.

Manufacturing and Service Capacity/Reliable Turnaround Time

Management believes that Stainless has the personnel and production facilities to run smoothly and efficiently. When necessary, it adjusts its working hours or employee force to meet current production needs. Its turnaround time is exemplary in the industry and it strives to keep it that way to maintain its competitive edge in the market place.

Competitive Conditions

As a result of Stainless servicing several market segments, it has different competition in each segment. Stainless competes against other suppliers who may participate or specialize in mainly one area as well as others who participate in a variety of areas as Stainless does. Overall capacity is available in the market of suppliers, creating a competitive environment where pricing and delivery have become the main focus.

Stainless has several markets where it has competitive advantages. Because of its proprietary field fabrication methods it is able to build tanks on-site in limited access areas where there is no room for scaffolding or cranes. Its state-of-the-art electropolish equipment and factory acceptance test experience gives it an edge in the pharmaceutical industry. For the dairy industry, it does silo top replacements and modifications on site. Its fully welded and insulated freezer enclosures are also highly specialized.

Components

Stainless has long term relationships with multiple suppliers and has not had problems sourcing raw materials in the past in order to produce and manufacture its products.

Intangible Properties

Stainless has a good reputation in the industry as a manufacturer that provides a high quality product, on time, and for a fair price. Stainless has many long-term, loyal customers with whom it has developed good working relationships which has led to significant repeat customer business.

Cycles

Stainless is a direct supplier to a number of customers whose sales may be dependent upon general economic cycles. A mitigating factor to this is the general diversification of the customer base for Stainless over a variety of different industries. Generally, the operations of Stainless are not seasonal in nature as it builds tanks in the shop and field year round.

Employees

The relationship between management and employees is considered to be good, with no history of labour disruptions. As at December 31, 2017, Stainless employed approximately 190 people.

WBM's Business

Summary

WBM is the exclusive distributor of Hotsy hot and cold water pressure washers, parts washers, replacement parts, cleaning compounds and accessories in the Provinces of Alberta and British Columbia, the Northwest Territories, a portion of Southeastern Saskatchewan, and the State of North Dakota. WBM has been the largest selling Hotsy pressure washer distributor in North America since 2001. The equipment sold by WBM is used for a variety of light commercial and industrial applications in a variety of industries but is primarily utilized in the oil and gas industry. WBM also manufactures and sells specialized heavy-duty pressure washer and steam systems for mobile and stationary applications in those regions.

WBM manufactures its own line of automatic parts washers and caustic dip tanks. These products are sold all over North America and are marketed under the trade name of Storm King.

WBM manufactures its own line of wash water recycle systems. These recycle systems reclaim the wash water from the pressure washing process, treat it and the water is then reused through the pressure washer. These products are sold all over North America and are marketed under the trade name of Cascade.

WBM also manufactures high quality customized tanks and trailers for the transportation of various fluids. The tanks are fabricated with mild steel, stainless steel or aluminum, are oval or round in shape, mounted on large trucks. These products are sold all over North America.

WBM sells its Hotsy and associated products as well as its custom products directly to all customers via one of its nine retail locations. The Storm King and Cascade products are sold directly to customers via one of WBM's nine stores and through a North America-wide dealer network. The tank and trailer products are sold directly from the facility in Acheson, Alberta under the trade name Jasper Tank.

Production and Services

<u>Custom Manufacturing</u>

From its leased 57,000 square foot manufacturing facility in Edmonton, Alberta, WBM designs, manufacturers, installs, and services high pressure washers, cleaning and steam systems, automatic parts washers, caustic dip tanks and wash water recycle systems. This equipment is used in a variety of light commercial and industrial applications including cleaning, thawing, hydro-excavating, and pressure testing. WBM also manufactures standard and custom designed pressure washer systems. The manufacturing process involves primarily short-run light assembly and integration of components and systems sourced from outside suppliers. WBM has on-site engineering, metal fabrication and welding capabilities. WBM can build custom cleaning and steaming equipment for the most demanding applications and it can be ordered through any of the retail locations or from customers outside of those regions covered by its retail locations.

WBM's tank operations are run from a 40,000 square foot facility located in Acheson, Alberta. The tank operations build mild steel, stainless steel and aluminum tanks and then add the specifications required by its customers. This division has recently purchased certain high-tech equipment for precision metal bending and is performing custom fabrication and welding services for a certain customer.

Retail Locations and Service

WBM has nine retail locations in the key markets in western Canada and North Dakota as well as a North America-wide distribution network, which gives WBM exposure to customers from a variety of industry sectors. WBM LP is the exclusive distributor for Hotsy hot and cold water pressure washers, parts washers, replacement parts, cleaning compounds and accessories in the Provinces of Alberta and British Columbia, the Northwest Territories, and a portion of Southeastern Saskatchewan. WBM NoDAK is the exclusive distributor for Hotsy in the State of North Dakota. WBM also performs in-house repair and maintenance of Hotsy equipment it sells.

Service sales include mobile and in-house repairs and maintenance services primarily performed on Hotsy, Storm King and Cascade equipment but also include servicing non-Hotsy equipment and products built in its tank operations. WBM has parts and accessory sales for all of the types of equipment it manufactures and services. Parts and accessory sales are to WBM's customers and to other Hotsy dealers in North America. WBM also sells certain detergents and chemicals that are used with the pressure equipment, parts washers, dip tanks and wash water recycle systems.

Specialized Skill and Knowledge

Management believes that WBM has the key competitive advantages set out below.

Personnel Experience and Relationships

WBM has a strong management team with considerable years of experience in the industry. The management team and employees have strong relationships with its customers and dealers.

WBM offers a combination of inside sales staff, in-house and mobile service technicians, in-house engineering, in-house drafting and technical design capabilities, and in-house manufacturing, including sand blasting and painting. WBM also has its own line of automatic parts washers, dip tanks, pressure washers and wash water recycle systems, which are built in-house.

Customized Products

WBM sells customized products that meet its customers' needs and are highly specialized for its customers' operations beyond the basic equipment utilized. WBM has the ability to manufacture custom equipment and tanks on its own. WBM has expertise that helps with the design of the customized equipment in addition to the manufacturing and installation of the equipment including reliable ongoing repair and support services. WBM can manufacture a wash water recycle system for any size wash facility. WBM can custom build an automatic parts washer or caustic dip tank for a variety of cleaning jobs.

Product Availability

WBM prides itself on maintaining the availability of its products and services so that customers can reduce downtime for their own operations.

Competitive Conditions

WBM has several competitors in regional areas. While no competitor offers the full range of product offering that WBM offers, competitors tend to specialize in certain product lines. As a result of having the exclusive rights to distribution for the Hotsy product line in Alberta, British Columbia, the Northwest Territories, the Southeastern portion of Saskatchewan and North Dakota, many customer requirements outline specifically the product lines WBM carries. Storm King automatic parts washers, Storm King caustic dip tanks and Cascade water recycle equipment are sold throughout North America by WBM.

With respect to its tank operations, WBM has two main competitors in the Province of Alberta and one in the Province of Saskatchewan for tanks. There are companies in the United States that have the ability to provide the tank products being supplied by WBM. Management is not aware of any significant attempt from US competitors to enter the Alberta or Saskatchewan tank trucks markets.

Components

WBM has historically had no supply issues in terms of parts, from both Hotsy and other major equipment suppliers for the purpose of distribution, and from other suppliers of raw materials for custom manufacturing.

Intangible Properties

WBM LP and its predecessors have been operating since 1973 and have a solid reputation within its industry. In addition, the exclusive Hotsy distribution agreement and owning the Storm King and Cascade line of products for WBM's territory have intangible value. WBM LP and WBM NoDAK have signed long term agreements with Hotsy to continue to be able to distribute its product on an exclusive basis in their respective regions.

Economic Dependence

Despite the diversification of the customer base and industries that WBM sells to, a large portion of WBM's operations use Hotsy related products and therefore WBM is reliant on the exclusivity of the Hotsy distribution agreement. WBM LP has been the largest Hotsy pressure washer distributor in North America since 2001. WBM has the only 10 year written contract with the Hotsy organization. WBM (and its predecessors) has had an excellent relationship with the Hotsy organization for over 40 years.

Environmental Considerations

WBM LP is the exclusive manufacturer of Cascade wash water recycling equipment. With greater environmental awareness there is a growing need to recycle the dirty wash water produced by pressure washing processes. Cascade wash water recycle equipment is capable of treating the waste water for disposal to sewer or treating it to be reused in the pressure washing process over and over again. Cascade uses cutting edge technology to treat the water similar to a municipal treatment plant.

Storm King automatic parts washers work like a dish washer to clean parts with soap and hot water therefore eliminating the need for harmful solvents and harsh chemicals to be used in the wash process. The wash water is filtered and reused in the Storm King automatic parts washers. With respect to its tank operations, the environmental requirements for hauling liquids in Alberta are becoming more stringent and WBM has been designing and building its tanks to meet and exceed these specifications.

Cycles

The operations of WBM are primarily linked to the oil and gas industry within Western Canada and the Bakken region of North Dakota. With the recent increases in the price of crude oil and natural gas, activity within the oil and gas industry has started to improve leading to increases in demand for WBM products and services. Pressure washer products are used extensively to thaw equipment and ground and therefore have a seasonal component coinciding with colder weather.

Employees

The relationship between management and employees is considered to be good, with no history of labour disruptions. As at December 31, 2017, WBM employed approximately 100 people.

Ben Machine's Business

Summary

Ben Machine, headquartered in Vaughan, Ontario, is a leading manufacturer of complex, precision-machined components and assemblies primarily for the aerospace and defence industry in Canada and the United States. Ben Machine is focused on providing a complete solution for its customers and offers a full range of services, including computer numerically controlled machining and turning, sheet metal fabrication, welding, complex assembly, and various finishing services.

Production and Services

Ben Machine is a fully integrated solutions provider that supplies its customers with complete quality precision parts, faster lead times and competitive pricing in order to provide a one stop shop for all of its customers' subcontracting needs. Ben Machine produces precision components that are based on its customer's design specifications out of its 55,000 square foot leased manufacturing facility.

Specialized Skill and Knowledge

Management of Ben Machine believes that its main competitive advantages include the following:

Personnel Experience and Relationships

Ben Machine has a strong management team with considerable years of experience in the aerospace and defense sector. The executives have spent the majority of their business careers at Ben Machine. Management is focused on customer service and building strong professional business relationships with long-standing customers.

One Stop Shop

Ben Machine is a one stop shop for supplying high quality precision manufactured components to manufacturers and systems integrators in the aerospace and defense sector. With over 40 years of experience, Ben Machine has developed top of class processes and quality controls that aligns them with a limited group who can provide the components it manufactures for the aerospace and defense sector.

Solutions Orientated Manufacturer

Ben Machine is a solutions provider for its customers and not simply a manufacturer of components. It uses its experience combined with the latest manufacturing technology to provide its customers with redesign opportunities to lower variances, improve quality, reduce lead times and/or reduce costs.

Long-term Customer Relationships

The five largest customers of Ben Machine have each had a relationship with Ben Machine for over 10 years.

Certifications and Qualifications

Ben Machine is fully compliant with AS9100, ISO 9001, CSA Z299.4, AQAP-4 and MIL-I-45208. Ben Machine's welding and finishing services are also compliant with many military, aerospace, nuclear and commercial standards that have strict measurement guidelines and exception rates. Ben Machine is a registrant under the *Controlled Goods Regulations of the Defence Production Act* (Canada).

Competitive Conditions

Management believes that Ben Machine's current competitive position in its principal markets is sound. Ben Machine focuses primarily in manufacturing and production in the aerospace and defence sector.

Components

The main input costs of Ben Machine, aside from labour, are materials and finishing services. Ben Machine has long term relationships with multiple suppliers and has not had problems sourcing raw materials or finishing services in the past.

Intangible Properties

Ben Machine and its predecessors have been operating since 1973 and have a solid reputation within the industry.

Economic Dependence

Ben Machine's main source of economic dependence is its largest customer. Management estimates that the largest customer of Ben Machine represents approximately 50% of sales.

Cycles

Ben Machine is a direct supplier to a number of large manufacturers whose sales may be dependent upon general economic cycles and governmental decisions on defence and security spending. Generally, the business of Ben Machine is not seasonal.

Employees

The relationship between management and employees is considered to be good with no history of labour disruptions. As at December 31, 2017, Ben Machine employed approximately 100 people.

Overlanders LP's Business

Summary

Overlanders LP is a high quality precision sheet metal fabricator serving companies in British Columbia, Alberta and the Pacific Northwest region of the United States.

Production and Services

Overlanders LP operates two leased manufacturing facilities in close proximity and has a total of 71,000 square feet of production space, of which 28,000 square feet is used for its powder coating system and assembly. Overlanders LP has also recently added 25,000 square feet of storage capacity for use in providing products to its largest customer.

The fabrication of metal includes processes such as punching, cutting, bending, welding, laser cutting and stamping. Overlanders LP's fabrication method uses a variety of machine tools to cut, form or weld metal to precise specifications. Overlanders LP's equipment includes computer numerically controlled equipment, such as punches, lasers and press brakes. In addition Overlanders LP relies on computer assisted design and 3D programming software to meet its clients' needs.

Specialized Skill and Knowledge

Management of Overlanders LP believes that its main competitive advantages include the following:

<u>Personnel Experience and Relationships</u>

> The key management team of Overlanders LP has collectively over 90 years of experience with Overlanders LP or its predecessors. Of the entire staff, the average tenure is nine years.

<u>Powder Coat System</u>

> Overlanders LP has one of the most technically advanced powder coat system in North America. The powder coat operation consists of a 28,000 square foot manufacturing area used for the powder coating system, including two paint lines and one batch oven, as well as assembly and storage areas.

<u>Certifications and Qualifications</u>

> Parts inspections are done by quality managers using a laser inspection table with a 0.0005" tolerance for inspecting sheet metal flats in seconds and is also capable of 3D inspection of parts. A detailed inspection report can then be generated and emailed to customers when required. Overlanders LP is ISO9001 certified and is also certified to both Canadian and American welding standards.

<u>Value Added Services Including Assembly</u>

> Overlanders LP provides value added services for its customers such as sub-assembly, prototyping, powder coating, manufacturing and design for diverse products such as gas fireplaces, diesel fired compact heaters, steel post and beam constructed homes, transportation equipment, and automotive accessories.

Competitive Conditions

Management believes that Overlanders LP's current competitive position in its principal markets is sound and that it is able to differentiate itself from its competitors by providing quality products delivered on time at a competitive price and value added services that its competitors may not be able to provide.

Components

The main input cost of Overlanders LP, aside from labour, is sheet metal. Overlanders LP has long term relationships with multiple suppliers and has not had problems sourcing raw materials in the past.

New Services and Contracts

Overlanders LP has recently gained a new Quebec-based customer that builds steel structured homes. The steel frame and structure for these home packages are manufactured by Overlanders for this customer who is constructing the homes in western Canada.

Overlanders LP currently utilizes some of WBM's manufacturing capacity in its Acheson, Alberta facility for manufacturing its products. Overlanders LP processes the flat raw material and WBM forms, welds and assembles the balance of the products.

Intangible Properties

Overlanders LP or its predecessors have been operating since 1978 and management believes that it has a solid reputation within the industry.

Economic Dependence

Overlanders LP's largest source of economic dependence is its largest customer. Management estimates that the largest customer of Overlanders LP represents over 50% of sales.

Cycles

Overlanders LP is a direct supplier to a number of OEMs whose sales may be dependent upon general economic cycles. Generally, the business of Overlanders LP is not seasonal but is impacted by its largest customer's demand levels. This is mitigated by other customers of Overlanders LP, which operate in a wide variety of different industries.

Employees

The relationship between management and employees is considered to be good with no history of labour disruptions. As at December 31, 2017, Overlanders LP employed approximately 90 people.

RISK FACTORS

The Corporation and its Subsidiaries are subject to a number of risks. These risks relate to the organizational structure of the Corporation and to the operations of the Subsidiaries. The risks and uncertainties described below are all of the significant risks that management of the Corporation is aware of and believe to be material to the business and results of operations of the Corporation. When reviewing forward-looking statements and other information contained in this annual information form, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results of the Corporation. The Corporation and its Subsidiaries operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management of the Corporation to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this annual information form to reflect new events or circumstances, except as may be required by law.

The most significant risks are categorized by their source and described as follows:

External	• Economic and Geopolitical Conditions • Competition • Government Funding for First Nations Health Care • Access to Capital • Market Trends and Innovation • General Uninsured Loss • Climate • Acts of Terrorism • Pandemic • Level and Timing of Defence Spending • Government-Funded Defence and Security Programs
Operational	• Significant Contracts and Customers • Operational Performance and Growth • Laws, Regulations and Standards • Acquisition Risk • Concentration and Diversification Risk • Maintenance Costs • Access to Parts and Relationships with Key Suppliers • Casualty Losses • Environmental Liability Risks • Dependence on Information Systems and Technology • International Operations Risks • Fluctuations in Sales Prices of Aviation Related Assets • Fluctuations in Purchase Prices of Aviation Related Assets • Warranty Risk • Global Offset Risk • Intellectual Property Risk
Financial	• Availability of Future Financing • Income Tax Matters • Commodity Risk • Foreign Exchange • Interest Rates • Credit Facility and the Trust Indentures • Dividends • Unpredictability and Volatility of Share Prices • Dilution Risk • Credit Risk
Human Capital	• Reliance on Key Personnel • Employees and Labour Relations • Conflicts of Interest

EXTERNAL RISKS

Economic and Geopolitical Conditions

External economic factors over which the Corporation exercises no influence could affect customer demand and disposable income. Economic and geopolitical conditions may impact demand for products and services provided by the Corporation's Subsidiaries and in general may also impact the Corporation's operating costs, costs and availability of fuel, foreign exchange costs, and costs and availability of capital. A weaker economy will impact the Corporation's ability to sustain its operating results and create growth.

In our aerospace & aviation segment, a downturn in economic growth could have the effect of reducing demand for passenger travel, as well as the demand for charter and cargo services. Reduced demand will have an impact on revenue, but will have a larger impact on profitability because of the significant fixed costs of the aviation operations. The exposure to economic risk is mitigated as many of the communities serviced by the aerospace & aviation segment have no alternative transportation access, making aviation services a de facto essential service. In addition to the sensitivity of operations to cycles driven by the economy, the operating results of the aerospace & aviation segment are also subject to seasonal fluctuations due to a variety of factors including weather, changes in purchasing patterns, pricing policies, and the demand and supply levels of aviation related assets.

Provincial Aerospace is affected by changes in economic and geopolitical conditions in its aerospace business. Geopolitical events drive the need for aerospace related services such as maritime surveillance, larger aerospace modification contracts or mission system software. In the event that such events decrease, so does potentially the need for aerospace related services. Many of these aerospace contracts are long term, significant dollar contracts that continue to exist as minimum regional or national safeguards; therefore, even as such events and conditions change, there is a certain level maintained as a necessity in many instances to the continued safety of the region or country.

Regional One is exposed to economic factors that adversely impact the global commercial aviation industry generally. The global commercial aviation industry is historically cyclical and has been negatively affected in the past by geopolitical events, high oil prices, lack of capital, and weak economic conditions. As a result of these economic conditions, Regional One has had customers that have ceased operations or filed for bankruptcy or otherwise reorganized in the past. In addition, any reduction in the global operating fleet of aircraft will result in reduced demand for parts and maintenance activities for the type of aircraft involved. Further, tight credit conditions may negatively impact the amount of liquidity available to customers to buy parts, services, engines, and aircraft. A deteriorating airline environment may also result in airline bankruptcies, and Regional One may not be able to fully collect outstanding accounts receivable. It may also diminish Regional One's ability to deploy aircraft that are part of its lease pool. Reduced demand from customers caused by weak economic conditions, including tight credit conditions and customer bankruptcies, may adversely impact Regional One's financial condition or results of operations.

Negative changes in the economy will impact each of the Corporation's manufacturing operations differently as the manufacturing segment is diversified and geographically dispersed. For instance, a downturn will have a greater impact on some regions, like Alberta and North Dakota, whose economies are driven by oil and gas more than others. With uncertainties in the US political environment, a US economic downturn negatively impacts the operations of Stainless more than our other operations as its products are provided to a wide variety of US industries. A downturn would also have an impact on Quest. Demand for Quest products is driven by the construction of new high rise apartment and condo complexes. It is therefore exposed to cycles in the construction of such projects. This risk is mitigated by a long-term trend towards densification of urban centres which by its very nature, requires the construction of such high rise dwellings. It is further mitigated by its geographic diversification, as it is unlikely that demand will universally change across its markets. WesTower is impacted by the large telecommunication companies' capital expenditure programs that are often on a different cycle than the general economy. Ben Machine is a direct supplier to a number of large manufacturers whose sales may be dependent upon governmental decisions on defence and security spending. The manufacturing segment has historically experienced some time lag between the economy weakening and the reduced demand for their products as the manufacturing segment generally has a reasonable order backlog, as well, some of the manufacturing segment's projects are longer in nature, which gives them a buffer to prepare for a reduction in demand.

Competition

New competition or increased competition could have a significant impact on the Corporation's business, results from operations, and financial condition.

The airline Subsidiaries currently focus on niche markets in British Columbia, Manitoba, Ontario, Nunavut, Newfoundland and Labrador, Quebec, Nova Scotia and New Brunswick and experience different levels of competition depending on the geography and the nature of service provided. The objective of these companies is to provide the best service through efficient management of operations, maintaining an owned fleet of appropriately sized aircraft, maintaining significant ground infrastructure and fostering strong relationships with customers. The airline Subsidiaries would be exposed to downside earnings risk if a well-capitalized competitor were to commence operations or if a current competitor were to significantly expand services in the niche markets where the entities currently operate. The greatest impact would be on the segment's scheduled operations, as competition would put pressure on load factors resulting in declining margins due to the nature of fixed costs in these operating entities. This impact would be more pronounced in the short-term until the affected Subsidiary made the appropriate operational changes to respond to the competition.

The aerospace design and build business within Provincial Aerospace is largely driven by the customization of aircraft and the integration of various component systems. The activities of OEMs of such systems could impact the integration activities associated with these systems, resulting in a decreased need for customization and therefore less revenue.

The markets for the products and services of Regional One are highly competitive. Regional One faces competition from a number of sources, both domestic and international. Regional One's competitors include aircraft and aircraft parts manufacturers, airline and aircraft service companies, other companies providing maintenance, repair and overhaul services, other aircraft spare parts distributors and redistributors, aircraft leasing companies and other after-market service providers. Some of Regional One's competitors have substantially greater financial and other resources than it has and others may price their products and services below Regional One's selling prices. These competitive pressures could adversely affect Regional One's business, results from operations and financial condition.

The market for the products of our manufacturing Subsidiaries is competitive; however the level of competition is lower on the more customized products as a result of the uniqueness of the products. Increased competition from current or new competitors would put pressure on margins and revenues. The manufacturing segment's current competitive position in its principal markets is sound and they continuously look to differentiate themselves from their competitors by providing value added services that competitors may not be able to provide.

The competitive environment in the manufacturing industry has been impacted by customers seeking to take advantage of the low cost environments that exists in certain countries. As a result, there is the possibility of increased competition from suppliers that have manufacturing operations in these countries. The loss of any significant production contract to competitors in low cost countries could have an adverse effect on the profitability of the manufacturing Subsidiaries. The customized nature of the products manufactured by the manufacturing Subsidiaries is a mitigating factor.

Government Funding for First Nations Health Care

Many of the communities which Perimeter LP, Bearskin Airlines, Keewatin LP, Calm Air LP, Custom Helicopters, and Provincial Aerospace provide services to, have very limited medical resources and as a result, trips to medical facilities are required to seek adequate medical care. First Nations people with a medical condition which cannot be adequately treated in their community are provided travel warrants by the local medical authorities. These warrants are then exchanged by the person for an airline ticket. Perimeter LP, Bearskin Airlines, Keewatin LP, Calm Air LP and Custom Helicopters receive a travel warrant from the traveler and then bill the Government of Canada for the cost of the ticket. Provincial Aerospace invoices the Government of Canada directly for these costs. Medevac flights are utilized when a patient requires urgent care at a larger medical facility and cannot wait for a scheduled flight, or is in such a condition that would make travel on a regular flight impossible. If any or all of the government agencies that are serviced by Perimeter LP, Keewatin LP, Calm Air LP, Provincial Aerospace, Bearskin Airlines and Custom Helicopters decide to reduce or eliminate funding for medical-related transportation services, this would have a significant negative impact on Perimeter LP, Keewatin LP, Calm Air LP, Provincial Aerospace, Bearskin Airlines, and Custom Helicopters as applicable.

Access to Capital

One of the objectives of the Corporation is to continue to acquire additional companies or interests therein in order to expand and diversify the Corporation's investments. The ability to execute this objective is dependent on the Corporation's ability to raise funds in the capital markets. If the capital markets' desire for income producing investments, such as the Common Shares and Debentures, were to significantly decrease, the Corporation would have difficulty in executing its acquisition objectives. The Corporation's current level of leverage is considered reasonable, which gives the Corporation the ability to undertake acquisitions, up to a given size, in the short-term without being dependent on the capital markets.

Market Trends and Innovation

The success of the Corporation's Subsidiaries is dependent on their ability to anticipate and respond in a timely manner to changing consumer preferences, tastes and demands. Accordingly, any sustained failure to identify and respond to emerging trends could adversely affect consumer acceptance of products or the ability to continue to obtain orders, which could have an adverse effect on the Corporation's business, results from operations and financial condition.

The Subsidiaries continue to invest in technology and innovation as the industries in which they operate are constantly undergoing development and change. Their ability to anticipate changes in technology in order to successfully develop and introduce new and enhanced products or to purchase new equipment and train employees on a timely basis using such technologies will be a significant factor in the Subsidiaries remaining competitive. If there is a shift away from the use of such technologies, costs may not be recovered, adversely affecting the Corporation's results of operations and financial condition. In addition, if other technologies in which the investment of the Subsidiaries is not as great or their expertise is not as fully developed emerge as the industry-leading technologies, the Subsidiaries may be placed at a competitive disadvantage, which could have an adverse effect on the Corporation's business, results from operations and financial condition.

General Uninsured Loss

Each of the Corporation's Subsidiaries carries comprehensive general liability, fire, flood and extended coverage insurance with policy specifications, limits and deductibles customarily carried for similar businesses. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, anticipated profits and cash flows could be negatively impacted.

Climate

The Corporation's results of operations could be impacted by fluctuations from weather and natural disasters. Severe weather conditions and natural disaster conditions can significantly disrupt service by impeding the movement of goods or disruptions with landing and take-offs, which could have an adverse effect on the Corporation's business, results of operations and financial condition. In addition, increases in frequency, severity or duration of severe weather events, including changes in the global climate, could result in increases in fuel consumption to avoid such weather, turbulence-related injuries, delays and cancellations, any of which would increase the potential for loss of revenue and higher costs. Certain of our airline Subsidiaries are impacted by the length of winter road season, which is impacted by the weather during the first few months of the calendar year. The colder the winter season, the longer the winter roads are available for customers to use as an alternative to flying with the airlines of the Corporation.

Acts of Terrorism

The occurrence of a terrorist attack could cause a decrease in passenger demand for travel and an increase in security measures, travel restrictions and related costs in the airline industry. This could have an adverse effect on the Corporation's business, results from operations and financial condition.

Pandemic

The spread of contagious disease could have a significant impact on passenger demand for air travel and the ability to continue full operations. The Corporation cannot predict the likelihood of such an event occurring nor the impact it could have on operations. Such event could have an adverse effect on the Corporation's business, results from operations and financial condition.

Level and Timing of Defence Spending

A significant portion of the revenues of Provincial Aerospace and Ben Machine come from sales to aerospace and defence customers, including sales to governments, directly and indirectly, from various countries. If defence spending on their products and services decrease, these Subsidiaries will experience the effects of program restructures, reductions and cancellations. These events could have a material negative impact on these Subsidiaries' future revenue, earnings and operations. In order to minimize these impacts, management continuously reviews the Corporation's Subsidiaries' current and future programs, developing risk mitigation strategies to address any potential change to each program.

Government-Funded Defence and Security Programs

Like most companies that supply products and services to governments, the Corporation and its Subsidiaries can be audited and reviewed from time to time. Any adjustments that result from government audits and reviews may have a negative effect on the results of operations of the Corporation and its Subsidiaries. Some costs may not be reimbursed or allowed in negotiations of fixed-price contracts.

OPERATIONAL RISKS

Significant Contracts and Customers

The Corporation and its Subsidiaries are currently party to a number of significant contracts with key customers, including governments. Within the aerospace & aviation segment, these significant contracts are for a variety of services but primarily relate to charter work, cargo, medevacs, medical related passenger travel, aircraft modifications, airborne maritime surveillance operations and the maintenance of certain specialized surveillance aircraft, including the FWSAR aircraft replacement program with the Government of Canada. See "Narrative Description of the Business of the Operating Subsidiaries – Aerospace & Aviation – Provincial Aerospace's Business". Within the manufacturing segment, these significant contracts are for the production of certain products and maintenance related services. Overall the Corporation's significant contracts are spread over a number of different Subsidiaries, thereby reducing the Corporation's overall reliance on a single contract or customer. The loss of any one of these significant contracts or customers could have a negative impact on the operations and cash flow of the Corporation.

Operational Performance and Growth

The Corporation's principal source of funds is cash generated from its Subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. In the event that additional capital and operating expenditures dependent on increased cash flow or additional financing arise in the future, lack of those funds could limit or delay the future growth of the Subsidiaries and their cash flow. Furthermore, underperformance of a material Subsidiary and/or combination thereof could have an adverse effect by also limiting or delaying future growth of the Subsidiaries and their cash flow, while also potentially impacting the amount of cash available for dividends to the Shareholders.

Laws, Regulations and Standards

The Corporation and its Subsidiaries are subject to a variety of federal, provincial, state and local laws, regulations, and guidelines including but not limited to income, health and safety, competition, employment standards, securities laws (disclosure and insider trading), privacy laws, and airline safety. New, or changes in, accounting standards and pronouncements may also impact the Corporation's financial results. Failure by the Corporation to comply with applicable laws, regulations and standards could result in financial penalties, assessments or legal action that could have an adverse effect on the reputation and financial results of the Corporation and its Subsidiaries. Furthermore, the financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have an adverse effect on the Corporation's business, results from operations and financial condition.

New proposed Transport Canada regulations with respect to pilot fatigue and flight duty times are currently under review at Transport Canada and expected to be published in 2018 with implementation requirements over the following one to five years. Depending on the content of the finalized regulations, there may be an increase in the number of pilots required by the aviation Subsidiaries. This requirement will vary based on the particular Subsidiary's approval for aerial operations, commuter operations or airline operations. This impact is recognized as industry wide and the Corporation and its aviation Subsidiaries continue to enhance a multidimensional strategy to address aviation industry pilot recruitment and retention challenges inclusive of this additional potential regulatory impact.

The airline industry in Canada, the United States and elsewhere in the world is subject to strict government standards and regulations. Government entities such as Transport Canada, the Competition Bureau, the Canadian Transportation Agency, the FAA and other government entities may implement new laws or regulatory schemes, or render decisions, rulings or changes in policy that could have a material adverse effect on the airline industry in general by significantly increasing the cost of airline operations, imposing additional requirements on operations, increasing airport and/or user fees, or reducing the demand for air travel. With respect to Regional One, its products that are to be installed in an aircraft, such as engines, engine parts, components and airframe and accessory parts and components, must meet certain standards of airworthiness established by the FAA or other regulatory agencies. New and more stringent governmental regulations may be adopted in the future that, if enacted, could have an adverse impact on the aviation Subsidiaries of the Corporation.

While management believes that the affected aerospace and airline Subsidiaries are currently in compliance with all applicable government standards and regulations, there can be no assurance that these Subsidiaries will be able to continue to comply with all applicable standards and regulations. A failure to comply with applicable standards and regulations could result in the revocation of the operating certificate of the applicable Subsidiary and a temporary or permanent cessation of flight operations or the inability to sell its products and carry on business in the case of Regional One.

Certain of the Subsidiaries process, transmit and store credit card data and are therefore subject to compliance with certain requirements established by credit card companies. Non-compliance with these requirements, whether through system breaches or limitations, may result in substantial fines and/or temporary or permanent exclusion from one or more credit card acceptance programs. The inability to process one or more credit card brands could have a material impact on the passenger bookings, revenue and profitability of certain of the Subsidiaries.

The Corporation's business practices must comply with Canada's *Corruption of Foreign Public Officials Act*, the *U.S. Foreign Corrupt Practices Act*, and any local anti-bribery or anti-corruption laws that may be applicable. These anti-bribery or anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. If violations of these laws were to occur, they could subject the Corporation and/or its Subsidiaries to fines and other penalties, reduced access to future government contracts as well as increased compliance costs and could have an adverse effect on the Corporation's reputation, business and results from operations and financial condition.

Ben Machine and Provincial Aerospace are parties to non-disclosure agreements relating to technical assistance agreements and manufacturing licensing agreements involving U.S. International Traffic in Arms Regulations controlled defence articles and technical data, and therefore assumes all rights, responsibilities, liabilities and obligations that may exist regarding the transfer of such information. In the event that Ben Machine or Provincial Aerospace are not compliant with such regulations, there is a risk of incurring fines and other penalties that could lead to increased compliance costs or restriction of information that could hinder the acquisition of future contracts. This could have an adverse effect on the Corporation's reputation, business and results from operations and financial condition.

Certain of our subsidiaries regularly engage in business transactions with US based suppliers and customers. The North American Free Trade Agreement is currently being renegotiated. The outcome of these renegotiations is highly uncertain and could negatively impact the operations of our subsidiaries. Among the possible risks is the possibility of new tariffs, increased difficulty associated with the movement of goods and people across the border and changes to access to work permits by employees.

Acquisition Risk

Led by a formal corporate development department, the Corporation regularly reviews potential acquisition opportunities to support its strategic objective to expand and diversify the Corporation's investments. The Corporation's ability to successfully grow or diversify through additional acquisitions will be dependent on a number of factors, including the identification of suitable acquisition targets in both new and existing markets, the negotiation of purchase agreements on satisfactory terms and prices, securing attractive financing arrangements, and, where applicable, the integration of newly acquired operations into the existing business.

In pursuing a strategy of acquiring other businesses or entities, the Corporation will face risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring higher capital expenditures and operating expenses than expected, entering new unfamiliar markets, incurring undiscovered liabilities at acquired businesses, disrupting ongoing business, diverting management resources, failing to maintain uniform standards, controls and policies, impairing relationships with employees, suppliers and customers as a result of changes in management, causing increased expenses for accounting and computer systems and incorrectly valuing acquired entities.

The Corporation may not adequately anticipate all the demands that its growth will impose on its personnel, procedures and structures, including its financial and reporting control systems, data processing systems and management structure. Moreover, the Corporation's failure to retain qualified management personnel at any acquired businesses may increase the risk associated with integrating the businesses. If the Corporation cannot adequately anticipate and respond to these demands, it may fail to realize the expected operating performance and its resources will be focused on incorporating new operations into its structure rather than on areas that may be more profitable. In addition, although the Corporation conducts what it believes to be a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operating condition of these businesses.

The Corporation conducts business, legal and financial due diligence investigations in connection with its acquisitions and the purchase and sale agreements pursuant to which the Corporation directly or indirectly acquires a business or entity will generally contain customary representations and warranties with respect to the applicable business and related indemnities from the vendors regarding corporate matters, taxes, litigation, environmental, operations, employee matters and financial statements, among other things. However, there can be no assurance that the Corporation will uncover all risks associated with the investment through its due diligence investigations, that the representations and warranties given by such vendors will adequately protect against such risks or that the Corporation will recover any losses in the event of a breach of a representation or warranty.

Concentration and Diversification Risk

The Corporation's performance is dependent on the results of its Subsidiaries which are concentrated in two segments: aerospace & aviation and manufacturing. Although diversification exists, financial results are heavily tied to the North American economy. An economic decline, major shift in consumer demands, or change in technology could result in both segments experiencing simultaneous negative results. In the event that both segments experience a downturn leading to negative results, this could have an adverse effect on the Corporation's business, results from operations and financial condition.

Similarly, becoming economically dependent on one Subsidiary or customer could result in an imbalance in the diversification level of the Corporation. This could have either an adverse or favourable effect on the Corporation's financial condition or results from operations. Furthermore, considerable pressure may be placed on resources and systems to manage the imbalance.

Regional One's portfolio of parts, engines and leased aircraft are concentrated in specific types of regional aircraft. The aircraft related assets leasing and sales industry can experience periods of undersupply and oversupply. As a result, Regional One's profitability is susceptible to economic conditions specific to the regional aircraft platform that underlies its business strategy.

Maintenance Costs

The Corporation's airline Subsidiaries rely on aircraft that are tailored to operate in extreme and remote environments. Many such aircraft types are no longer in production, so by nature, the airline Subsidiaries are working with aging aircraft and have specific aging aircraft protocols to ensure the safety and longevity of the aircraft. A comprehensive, in-house maintenance division within each Subsidiary continually assesses the airframe, engines and components of each aircraft in the fleet. The ongoing maintenance costs, as well as the fleet renewal costs, may be significantly higher than anticipated, adversely impacting the Corporation's business, results from operations and financial condition.

Access to Parts and Relationships with Key Suppliers

The Corporation's Subsidiaries are at times dependent on the continued efficient supply of component parts, fuel and raw materials from various suppliers. Any shortage of supply of these required items would jeopardize the ability of the Subsidiaries to provide their products or services.

Casualty Losses

The Corporation's Subsidiaries are subject to the inherent business risk of liability claims and adverse publicity if any of their services is alleged to have resulted in adverse effects to a user, including an aircraft accident in the case of the entities within the aerospace & aviation segment. There can be no assurance that the Corporation's insurance coverage will be sufficient or remain available at reasonable costs to cover one or more large claims. Additionally, any incident or disaster involving one of the segments could significantly harm the Corporation's reputation for safety. In either event, the Corporation's business, results from operations and financial condition could be adversely affected.

Environmental Liability Risks

As an owner of real property, and in particular fuel farms, fuel storage containers and other fuel transportation equipment, the Corporation's Subsidiaries are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide that the Subsidiaries could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remedy such substances or locations, if any, could potentially result in claims against the Subsidiaries.

As at the date hereof, the Corporation is not aware of any material non-compliance of any of its Subsidiaries with environmental laws at any of its properties. As at the date hereof, the Corporation is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its Subsidiaries' properties or any pending or threatened claims relating to environmental conditions at its properties.

Future environmental regulatory developments in North America and abroad concerning environmental issues, such as climate change, could adversely affect the operations of the Corporation's Subsidiaries, particularly in aviation, and increase operating costs and, through their impact on customers, reduce demand for the products and services of the Subsidiaries. Actions may be taken in the future by federal, provincial, state or local governments, the International Civil Aviation Organization, or by signatory countries through a new global climate change treaty to regulate the emission of greenhouse gases by the aviation industry. The precise nature of any such requirements and their applicability to the aviation Subsidiaries of the Corporation and their customers are difficult to predict, but the impact to the aviation industry would likely be adverse and could be significant, including the potential for increased fuel costs, carbon taxes or fees, or a requirement to purchase carbon credits.

Dependence on Information Systems and Technology

Information systems are an important part of the business process of the Corporation's Subsidiaries, including marketing their products and services, managing inventory, co-coordinating logistical support and managing finance functions. In addition, management of the Corporation and its Subsidiaries will continue to rely on information systems to analyze operating performance on an ongoing basis and to aid in the preparation of budgets and forecasts. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect the Corporation's business, results from operations and financial condition.

Integration of complex systems and technology presents significant challenges in terms of costs, human resources and development of effective internal controls. In the ordinary course of business, systems will require modifications and refinements to address the Corporation's growth and business requirements. The Corporation's Subsidiaries could be adversely affected if they are unable to modify their systems as necessary.

The Corporation's reliance on information technology to manage its business exposes the Corporation to potential risks related to cybersecurity attacks and unauthorized access to the Corporation's, customers', suppliers', counterparties' and employees' sensitive or confidential information (which may include personally identifiable information and credit information) through hacking, viruses or otherwise (collectively "cybersecurity threats"). The Corporation uses information technology systems and network infrastructure, which include controls for interconnected systems of generation, distribution, and transmission, some of which is shared with third parties for operating purposes. Through the normal course of business, the Corporation also collects, processes, and retains sensitive and confidential customer, supplier, counterparty and employee information.

Cybersecurity threats are continually growing and changing and require continuous monitoring and detection efforts to address. Despite security measures in place, the Corporation's systems, assets and information could be vulnerable to cybersecurity attacks and other data security breaches that could cause system failures, disrupt operations, adversely affect safety, result in loss of service to customers and result in the release of sensitive or confidential information. Despite such security measures, there is no assurance that cyber security threats can be fully detected, prevented or mitigated. Should such threats materialize, the Corporation could suffer costs, expenses, losses and damages such as property damage, corruption of data, lower earnings, reduced cash flow, third party claims, fines and penalties; all or some of which may not be recoverable.

International Operations Risks

Regional One and Provincial Aerospace conduct business in certain countries other than Canada and the United States, some of which are politically unstable or subject to military or civil conflicts. Consequently, Regional One and Provincial Aerospace are subject to a variety of risks that are specific to international operations, including the following:

- military conflicts, civil strife, and political risks;
- export regulations that could erode profit margins or restrict exports;
- compliance with applicable anti-bribery laws;
- the burden and cost of compliance with foreign laws, treaties, and technical standards and changes in those regulations;
- contract award and funding delays;
- potential restrictions on transfers of funds;
- import and export duties and value added taxes;
- foreign exchange risk;
- transportation delays and interruptions; and

- uncertainties arising from foreign local business practices and cultural considerations.

While Regional One and Provincial Aerospace have and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of doing business internationally, the Corporation cannot ensure that such measures will be adequate or that the regions in which Regional One and Provincial Aerospace operate will continue to be stable enough to allow it to operate profitably or at all.

Fluctuations in Sales Prices of Aviation Related Assets

Regional One uses a number of assumptions when determining the recoverability of inventories, aircraft, and engines, which are on lease, available for lease or for sale. These assumptions include historical sales trends, current and expected usage trends, replacement values, current and expected lease rates, residual values, future demand, and future cash flows. Reductions in demand for inventories or declining market values, as well as differences between actual results and the assumptions utilized by Regional One when determining the recoverability of inventories, aircraft, and engines, could result in impairment charges in future periods.

Regional One's operations include leasing aircraft and engines to its customers on an operating lease basis in addition to finance leases or sale transactions. Its ability to re-lease or sell these assets on acceptable terms when the operating lease expires is subject to a number of factors which drive industry capacity, including new aircraft deliveries, availability of used aircraft and engines in the marketplace, competition, financial condition of customers, overall health of the airline industry, and general economic conditions. Regional One's inability to re-lease or sell aircraft and engines could adversely affect its results of operations and financial condition.

Fluctuations in Purchase Prices of Aviation Related Assets

The success of Regional One's business depends, in part, on its ability to acquire strategically attractive aircraft and enter into profitable leases or sale transactions following the acquisition of such aviation related assets. The aircraft related assets leasing and sales industry can experience periods of undersupply and oversupply. Regional One may not be able to enter into profitable leases or sales transactions following the acquisition of the new aircraft. An acquisition of one or more aircraft may not be profitable and may not generate sufficient cash flow to justify those acquisitions. If Regional One experiences significant delays in the implementation of its business strategies, including delays in the acquisition and leasing or sale of the aviation related assets, its fleet management strategy and long-term results of operations could be adversely affected.

The other entities within the aerospace & aviation segment are also exposed to changes in demand and availability of aviation related assets mainly when these entities are looking to replace or grow their aircraft fleet and to a lesser degree when disposing of aircraft from their fleets.

Warranty Risk

Certain Subsidiaries of the Corporation are exposed to warranty risk through their manufacturing activities. In particular, Provincial Aerospace manufactures highly complex and sophisticated surveillance aircraft, incorporating various technologies and components. These aircraft are subject to detailed specifications, which are listed in contracts with customers, as well as to stringent certification or approval requirements. Similarly, software sales incorporate a standard practice 12-month warranty from date of go-live and must meet stringent certification and approval requirements. Defects may be found in products before and/or after they are delivered to the customer. As well, contractual service levels may not be achieved. This could result in significant additional costs to modify and/or retrofit to correct defects or remediate service levels. The occurrence of defects and failures could give rise to non-conformity costs, including warranty and damage claims, negatively affecting reputation and profitability and could result in the loss of customers. Correcting such defects could require significant capital investment where such claims cannot be passed on to component equipment suppliers.

Global Offset Risk

Offset obligations are common in numerous countries in the global aerospace market. Provincial Aerospace has significant business operations in the UAE. All government defence and aerospace supply contracts in the UAE are subject to offset obligations, calculated as a percentage of the value of the supply contract. A profitable business within the UAE is required to generate offset credits within a certain time period. In the event that sufficient offset credits are not generated, Provincial Aerospace may be subject to financial penalties which could have a material adverse effect on its business, results from operations and financial condition.

Intellectual Property Risk

Certain proprietary intellectual property is not protected by any patent or patent application, and, despite precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. The Corporation and its Subsidiaries have generally sought to protect such intellectual property in part by confidentiality agreements with strategic partners and employees. There is no guarantee that these agreements adequately protect the trade secrets and other intellectual property or proprietary rights of the Corporation or its Subsidiaries. In addition, there can be no assurance that these agreements will not be breached, that adequate remedies for any breach will be in place, or that such persons or institutions will not assert rights to intellectual property arising out of these relationships. Furthermore, the steps taken and that may be taken in the future, may not prevent misappropriation of such solutions or technologies, particularly in respect of officers and employees who are no longer employed by the Corporation or its Subsidiaries or in foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in Canada.

FINANCIAL RISKS

Availability of Future Financing

The Corporation's ability to sustain continued growth depends on its ability to identify, evaluate and contribute financing to its Subsidiaries. The Corporation may require additional equity or debt financing to meet its capital and operating expenditure requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Corporation, in which event the financial condition of the Corporation may be materially adversely affected, lack of those funds could limit or delay future growth of the Subsidiaries, and the amount of cash available for dividends to Shareholders may be reduced.

Income Tax Matters

The business and operations of the Corporation and its Subsidiaries are complex and the Corporation has, over the course of its history, undertaken a number of significant financings, reorganizations, acquisitions, divestitures and other material transactions. The computation of income taxes payable as a result of these transactions involves many complex factors including the Corporation's interpretation of relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Corporation's interpretation of the applicable tax legislation and regulations. If any challenge to the Corporation's tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Corporation's tax obligations.

Furthermore, federal or provincial or foreign tax legislation may be amended, or its interpretation changed (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Corporation's tax positions.

Commodity Risk

Certain Subsidiaries of the Corporation are vulnerable to price fluctuations in select commodities required to conduct business. Some of the products manufactured by the Subsidiaries require specialized raw materials. If such raw materials are not available or not available under satisfactory terms, the applicable Subsidiary may not be able to manufacture and fulfill customer orders. Sales levels and relationships with customers could be negatively affected as a result.

Fuel costs are a significant component of total operating costs of the aerospace & aviation segment of the Corporation. Fuel prices have and may continue to fluctuate widely depending on many factors including international market conditions, geopolitical events, jet fuel refining costs and the Canada/US dollar exchange rate.

The Corporation cannot predict future fuel prices. While most of the travel by the aerospace & aviation segment's customers is not discretionary (i.e. for medical or other necessary reasons) and overland travel from and to many of the communities serviced is only possible for brief periods of the year over winter roads, if prices were to escalate significantly it may impact demand for services.

The operations of the manufacturing segment entities in Alberta act somewhat as a hedge to changes in fuel prices. When oil prices are low, the aerospace & aviation segment benefits from lower input costs but lower oil prices have a negative impact on the operations of Alberta operations in the manufacturing segment as lower oil prices hurt the Alberta oil and gas market. As oil prices increase, fuel costs increase for the aviation segment but this will increase demand for products manufactured by the Alberta operations in the manufacturing segment.

The aerospace & aviation segment Subsidiaries providing scheduled and charter services are impacted by mineral commodity pricing as the service requirements of several major customers are impacted by mineral commodity pricing levels.

Foreign Exchange

The Corporation's financial results are sensitive to the fluctuating value of the Canadian dollar, particularly in relation to the US dollar. Our Canadian and US Subsidiaries are impacted differently from fluctuations in the Canada/US dollar exchange rate.

Our Canadian operations have significant US dollar inflows and outflows and it varies greatly by Subsidiary. For instance, many of our airline Subsidiaries have net annual outflows of US dollars as parts cost, engines, and aircraft purchases are often purchased in US dollars. As well, the price of fuel, while purchased in Canadian dollars, is impacted by fluctuations in the Canada/US dollar exchange rate. However other Subsidiaries, including Quest Windows and Provincial Aerospace have significant contracts that are paid in US dollars. When viewed in total, the Corporation's Canadian operations do not have a large exposure to fluctuations in the Canada/US dollar exchange rate. It is important to note that while exchange rate fluctuations may have a short term impact on any one of our Canadian Subsidiaries' results, none of their business models are based on arbitraging between the two currencies and ultimately exchange rate changes will be reflected in their pricing charged to customers.

Our US Subsidiaries operations are not impacted by fluctuations in the exchange rate as the vast majority of their revenues and expenditures are in US dollars. However when their results are included in the Corporation's consolidated results for financial reporting purposes, the Corporation's consolidated results will be impacted by the translation of our US Subsidiaries results from their domestic currency into the Corporation's reporting currency, which is Canadian dollars.

Interest Rates

As at December 31, 2017, the Credit Facility has a variable interest rate on the Canadian and US portions of the amount outstanding under the facility. A one-percentage point increase in average interest rates would cost the Corporation approximately $4,800,000 (ignoring the impact of foreign exchange) per annum for the Credit Facility based on the amounts outstanding as at December 31, 2017. The terms of the Credit Facility allow for the Corporation to choose the base interest rate between prime, bankers' acceptances or London Inter-Bank Offer Rate ("**LIBOR**"). The Corporation manages the base rate used on the outstanding facility and seeks financing terms in individual arrangements that are most advantageous. The Corporation considers derivative instruments to manage the variable interest rate risk and has entered into interest rate swaps in order to manage this risk in the past. The Corporation's outstanding Debentures have fixed interest rates which are not affected by changes in rates.

Credit Facility and the Trust Indentures

The Corporation has significant debt service obligations pursuant to the financing agreements relating to the Credit Facility and the Trust Indentures. The degree to which the Corporation and its Subsidiaries are leveraged could have important consequences to Shareholders, including:

- the ability of the Corporation and/or its Subsidiaries to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;

- a substantial portion of cash flow from operations of the Subsidiaries of the Corporation will be dedicated to servicing its indebtedness, thereby reducing funds available for future operations;
- certain borrowings of the Corporation and/or its Subsidiaries will be at variable rates of interest, which will expose the Corporation and its Subsidiaries to future fluctuations of interest rates; and
- the Corporation and/or its Subsidiaries may be more vulnerable to economic downturns and may be limited in their ability to withstand competitive pressure.

The ability of the Corporation and/or its Subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their respective indebtedness will depend on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The financing agreements relating to the Credit Facility and Trust Indentures that govern the Debentures contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place significant restrictions on, among other things, the ability of the Subsidiaries and other restricted parties under such financing agreements to incur additional indebtedness, to create liens or other encumbrances, to pay dividends, to redeem equity or debt or make certain other payments, investments, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the financing agreements relating to the Credit Facility contain a number of financial covenants that require the Corporation to meet certain financial ratios and financial condition tests. A failure to comply with the obligations and covenants under the financing agreements relating to the Credit Facility or the Trust Indentures that govern the Debentures could result in an event of default under such agreements, as the case may be, which, if not cured or waived, could permit acceleration of indebtedness. If the indebtedness under such agreements were to be accelerated, there can be no assurance that the assets of the Corporation and its Subsidiaries under such agreements would be sufficient to repay that indebtedness in full.

Dividends

Although the Corporation intends to continue to declare and pay monthly dividends on Common Shares, there can be no assurance that dividends will continue in the future at the same frequency and in the same amounts, or at all. The actual amount of dividends declared and paid by the Corporation in respect of the Common Shares will depend upon numerous factors, including profitability, fluctuations in working capital, and the sustainability of margins and capital expenditures of its Subsidiaries.

Unpredictability and Volatility of Share Prices

The market price of the Common Shares could be subject to significant fluctuations in response to variations in operating results, monthly dividends, and other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of Common Shares regardless of the operating performance of the Corporation. There can be no assurance of the price at which the Common Shares will trade. The annual dividend yield on the Common Shares as compared to the annual yield on other financial instruments may also influence the price of Common Shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Common Shares.

Dilution Risk

The authorized share capital of the Corporation is comprised of an unlimited number of Common Shares. The Corporation may issue additional Common Shares, or securities which are convertible, exchangeable or exercisable into Common Shares, for consideration and on those terms and conditions as are established by the Corporation without the approval of Shareholders. The Corporation intends to pursue further acquisitions which will likely require the issuance of additional Common Shares.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations and the Corporation is exposed to credit risk from its customers or parties where the Corporation has advanced funds under a promissory note or loan arrangement. This includes lease arrangements for Regional One where long-term receivables are recognized with aviation companies in finance lease arrangements.

HUMAN CAPITAL RISKS

Reliance on Key Personnel

The success of the Corporation is dependent on a number of key senior employees both at the Corporation's head-office level and at the Subsidiary level. The loss of any one of these key employees would impair the Corporation's ability to operate at its optimum level of performance and could have an adverse effect on the Corporation's business, results from operations and financial condition. There can be no assurance that the Corporation will be able to retain its existing senior management, attract additional qualified executives or adequately fill new senior management positions or vacancies created by expansion or turnover at either its head-office level or at a Subsidiary level.

Employees and Labour Relations

The success of the Corporation's Subsidiaries is dependent in large part upon their ability to attract and retain key management and employees. Recruiting and maintaining personnel in the industries in which the Subsidiaries are involved is highly competitive and it cannot be guaranteed that these entities will be able to attract and retain the qualified personnel needed for their businesses. In particular, skilled labour for the WesTower operations of tower maintenance and erection, engineers in Provincial Aerospace's modification operations, software developers, and certain metal fabricators are specialized and it can be difficult to find qualified personnel and retain them given the competitive environments that these businesses operate in. As well, the pilots, nurses and maintenance personnel within the aerospace & aviation segment's operations are in high demand within the aviation industry. If the proposed Transport Canada regulations with respect to pilot fatigue and flight duty times are published in 2018 with an implementation period over the next one to five years, they will have an additional impact on the number of pilots required for the aviation Subsidiaries. These regulations are currently under review at Transport Canada and the specific impacts will be dependent on the finalized regulatory requirements. A failure to attract or retain qualified personnel could have an adverse effect on the Corporation's business, results from operations and financial condition.

Certain employees within the aerospace & aviation segment have labour-related agreements but there can be no assurance that future agreements with employee unions or the outcome of arbitrations will be on terms consistent with the Corporation's expectations or comparable to agreements entered into by the Corporation's competitors. Any future agreements or outcomes of negotiations, mediations or arbitrations including in relation to wages or other labour costs or work rules may result in increased labour costs or other charges which could have an adverse effect on the Corporation's business, results from operations and financial condition.

There can be no assurance that there will not be a labour conflict that could lead to an interruption or stoppage in the Corporation's service or otherwise adversely affect the ability of the Corporation to conduct its operations, all of which could have a material adverse effect on its business, results from operations and financial condition.

Conflicts of Interest

The Corporation may be subject to various conflicts of interest due to the fact that its Directors and management are or may be engaged in a wide range of other business activities. The Corporation may become involved in transactions that conflict with the interests of the foregoing. The Directors and management of the Corporation and associates or affiliates of the foregoing may from time to time deal with persons, firms, institutions or organizations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Any such conflicts will be resolved in accordance with the provisions of the CBCA relating to conflicts of interest.

DIVIDEND POLICY AND HISTORY

As at December 31, 2017, the dividend policy of the Corporation was to pay dividends in the amount of $0.175 per month ($2.10 per Common Share annualized). Subsequently, the Corporation announced an increase in its monthly dividend rate to $0.1825 per Common Share per month ($2.19 per Common Share annualized) as part of its 2017 financial results announcement on February 21, 2018 and through the Corporation's March dividend press release on March 16, 2018. This increase will become effective commencing with the March 2018 dividend payable on April 13, 2018. The dividend policy of the Corporation is that the Board has the discretion to determine if and when dividends are declared and the amount that is paid to Shareholders through any such dividends of the Corporation. The Corporation's ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of the Corporation and its Subsidiaries, its debt covenants and obligations, its ability to refinance debt obligations on similar terms and at similar interest rates, its working capital requirements, its future tax obligations and its future capital requirements.

The Corporation's dividends are traditionally declared monthly with an end of month record date and then are distributed to Shareholders in the middle of the following month.

Dividend History

The table below sets forth the cash dividends made by the Corporation on its Common Shares for each of the three most recently completed financial years.

Fiscal 2017		Fiscal 2016(1)(2)		Fiscal 2015(3)	
Total Dividends ($000's)	Per Common Share on Annualized Basis	Total Dividends ($000's)	Per Common Share on Annualized Basis	Total Dividends ($000's)	Per Common Share on Annualized Basis
$65,087	$2.100	$56,331	$1.995	$45,227	$1.815

Notes:

(1) Effective for the dividend made on December 15, 2016 to Shareholders of record on November 30, 2016, the Corporation increased its monthly dividend to $0.175 per Common Share from $0.1675 per Common Share.

(2) Effective for the dividend made on June 15, 2016 to Shareholders of record on May 31, 2016, the Corporation increased its monthly dividend to $0.1675 per Common Share from $0.16 per Common Share.

(3) Effective for the dividend made on September 15, 2015 to Shareholders of record on August 31, 2015, the Corporation increased its monthly dividend to $0.16 per Common Share from $0.145 per Common Share.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. The following is a summary of the rights, privileges, restrictions and conditions of the Common Shares. As at December 31, 2017, 31,343,790 Common Shares were issued and outstanding.

Dividends

The holders of Common Shares are entitled to receive dividends, if, as and when declared by the Board, out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable at such times and at such place or places in Canada as the Board may from time to time determine.

Voting Rights

Subject to any restrictions on voting applicable to Non-Canadians as described below, the holders of Common Shares are entitled to receive notice of and to attend all annual and special meetings of the Shareholders, and to one vote at all such meetings in respect of each Common Share held.

Participation on Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among the Shareholders for the purpose of winding up its affairs, the Shareholders shall be entitled to participate rateably in any distribution of the assets of the Corporation.

Restrictions on Non-Canadian Ownership

There are certain constraints on Non-Canadian ownership of Common Shares. For further information, see “Constraints on Ownership”.

The Common Shares do not have: (i) any pre-emptive rights; (ii) any conversion or exchange rights; (iii) any redemption, retraction, purchase for cancellation or surrender provisions (other than as described under “Constraints on Ownership”); (iv) sinking or purchase fund provisions; (v) provisions permitting or restricting the issuance of additional securities and any other material restrictions other than the provisions relating to Non-Canadians described in “Constraints on Ownership”; or (vi) provisions requiring a Shareholder to contribute additional capital.

Debentures

The following is a brief summary of certain attributes and characteristics of the Debentures outstanding as at December 31, 2017, other than the Subordinated Debentures – September 2012 which were redeemed effective January 11, 2018, and certain principal provisions of the Trust Indentures. The following does not purport to be complete and for full particulars, reference should be made to the Trust Indentures which are available on SEDAR at www.sedar.com.

Subordinated Debentures – September 2012

The Subordinated Debentures – September 2012 represented a direct unsecured debt obligation of the Corporation which were issued and created pursuant to the Subordinated Trust Indenture – September 2012. The Subordinated Debentures – September 2012 were redeemed by the Corporation effective January 11, 2018.

Subordinated Debentures – March 2013

The Subordinated Debentures – March 2013 represent a direct unsecured debt obligation of the Corporation which were issued and created pursuant to the Subordinated Trust Indenture – March 2013. The principal terms of the Subordinated Debentures – March 2013 are as follows:

Principal Amount per Debenture:	$1,000
Number of Debentures originally issued:	65,000 ($65,000,000 aggregate principal amount)
Term:	7 years (maturing on March 31, 2020)
Interest Rate:	5.35% per annum
Frequency of Payment:	Semi-annually on March 31 and September 30 of each year.

Conversion Privilege:	Convertible into Common Shares at the option of a Debentureholder at any time prior to the date that is one day prior to the maturity date of the Subordinated Debentures – March 2013 at a price equal to $41.60 per Common Share, subject to adjustment in accordance with the anti-dilution provision of the Subordinated Trust Indenture – March 2013.
Forced Conversion Right:	Convertible at the option of the Corporation at maturity of the Subordinated Debentures – March 2013 into such number of freely tradeable Common Shares as is determined by dividing the outstanding principal amount of the Subordinated Debentures – March 2013 by 95% of the weighted average 20 day trading price of the Common Shares for the previous 20 days that the Common Shares traded on the TSX.
Security:	The payment of the principal of, and interest on, the Subordinated Debentures – March 2013 will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Corporation (as defined in the Subordinated Trust Indenture – March 2013), provided that the Corporation is entitled to pay interest and the principal amount owing under the Subordinated Debentures – March 2013 so long as the conditions for such payment which are specified in any applicable subordination agreement are complied with. Each Subordinated Debenture – March 2013 ranks *pari passu* with each other Subordinated Debenture – March 2013 and with all other present and future subordinated and unsecured indebtedness of the Corporation.
Redemption Right:	Prior to March 31, 2018, the Subordinated Debentures – March 2013 are redeemable from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – March 2013 plus all accrued and unpaid interest up to but excluding the date of redemption, provided that the weighted average price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price specified in the Subordinated Trust Indenture – March 2013. On and after March 31, 2018 but prior to the maturity date, the Subordinated Debentures – March 2013 will be redeemable, from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – March 2013, plus all accrued and unpaid interest up to but excluding the date of redemption. If the Corporation elects to redeem the Subordinated Debentures – March 2013, the Debentureholders shall have the option to convert the Subordinated Debentures – March 2013 into Common Shares at the applicable conversion price.

Subordinated Debentures – February 2014

The Subordinated Debentures – February 2014 represent a direct unsecured debt obligation of the Corporation which were issued and created pursuant to the Subordinated Trust Indenture – February 2014. The principal terms of the Subordinated Debentures – February 2014 are as follows:

Principal Amount per Debenture:	$1,000
Number of Debentures originally issued:	40,000 ($40,000,000 aggregate principal amount)
Term:	7 years (maturing on March 31, 2021)
Interest Rate:	6.00% per annum
Frequency of Payment:	Semi-annually on March 31 and September 30 of each year.

Conversion Privilege:	Convertible into Common Shares at the option of a Debentureholder at any time prior to the date that is one day prior to the maturity date of the Subordinated Debentures – February 2014 at a price equal to $31.70 per Common Share, subject to adjustment in accordance with the anti-dilution provision of the Subordinated Trust Indenture – February 2014.
Forced Conversion Right:	Convertible at the option of the Corporation at maturity of the Subordinated Debentures – February 2014 into such number of freely tradeable Common Shares as is determined by dividing the outstanding principal amount of the Subordinated Debentures – February 2014 by 95% of the weighted average 20 day trading price of the Common Shares for the previous 20 days that the Common Shares traded on the TSX.
Security:	The payment of the principal of, and interest on, the Subordinated Debentures – February 2014 will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Corporation (as defined in the Subordinated Trust Indenture – February 2014), provided that the Corporation is entitled to pay interest and the principal amount owing under the Subordinated Debentures – February 2014 so long as the conditions for such payment which are specified in any applicable subordination agreement are complied with. Each Subordinated Debenture – February 2014 ranks *pari passu* with each other Subordinated Debenture – February 2014 and with all other present and future subordinated and unsecured indebtedness of the Corporation.
Redemption Right:	Prior to March 31, 2019, the Subordinated Debentures – February 2014 are redeemable from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – February 2014 plus all accrued and unpaid interest up to but excluding the date of redemption, provided that the weighted average price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price specified in the Subordinated Trust Indenture – February 2014. On and after March 31, 2019 but prior to the maturity date, the Subordinated Debentures – February 2014 will be redeemable, from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – February 2014, plus all accrued and unpaid interest up to but excluding the date of redemption. If the Corporation elects to redeem the Subordinated Debentures – February 2014, the Debentureholders shall have the option to convert the Subordinated Debentures – February 2014 into Common Shares at the applicable conversion price.

Subordinated Debentures – June 2016

The Subordinated Debentures – June 2016 represent a direct unsecured debt obligation of the Corporation which were issued and created pursuant to the Subordinated Trust Indenture – June 2016. The principal terms of the Subordinated Debentures – June 2016 are as follows:

Principal Amount per Debenture:	$1,000
Number of Debentures originally issued:	69,000 ($69,000,000 aggregate principal amount)
Term:	7 years (maturing on June 30, 2023)
Interest Rate:	5.25% per annum
Frequency of Payment:	Semi-annually on June 30 and December 31 of each year.

Conversion Privilege:	Convertible into Common Shares at the option of a Debentureholder at any time prior to the date that is one day prior to the maturity date of the Subordinated Debentures – June 2016 at a price equal to $44.75 per Common Share, subject to adjustment in accordance with the anti-dilution provision of the Subordinated Trust Indenture – June 2016.
Forced Conversion Right:	Convertible at the option of the Corporation at maturity of the Subordinated Debentures – June 2016 into such number of freely tradeable Common Shares as is determined by dividing the outstanding principal amount of the Subordinated Debentures – June 2016 by 95% of the weighted average 20 day trading price of the Common Shares for the previous 20 days that the Common Shares traded on the TSX.
Security:	The payment of the principal of, and interest on, the Subordinated Debentures – June 2016 will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Corporation (as defined in the Subordinated Trust Indenture – June 2016), provided that the Corporation is entitled to pay interest and the principal amount owing under the Subordinated Debentures – June 2016 so long as the conditions for such payment which are specified in any applicable subordination agreement are complied with. Each Subordinated Debenture – June 2016 ranks *pari passu* with each other Subordinated Debenture – June 2016 and with all other present and future subordinated and unsecured indebtedness of the Corporation.
Redemption Right:	Other than as noted below under "Offer Upon Change of Control", the Subordinated Debentures – June 2016 will not be redeemable on or before June 30, 2019. After June 30, 2019, but prior to June 30, 2021, the Subordinated Debentures – June 2016 will be redeemable from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – June 2016 plus all accrued and unpaid interest up to but excluding the date of redemption, provided that the weighted average price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price specified in the Subordinated Trust Indenture – June 2016. On and after June 30, 2021 but prior to the maturity date, the Subordinated Debentures – June 2016 will be redeemable, from time to time at the Corporation's sole option on not more than 60 days' and not less than 30 days' notice, at a price equal to the principal amount of the Subordinated Debentures – June 2016, plus all accrued and unpaid interest up to but excluding the date of redemption. If the Corporation elects to redeem the Subordinated Debentures – June 2016, the Debentureholders shall have the option to convert the Subordinated Debentures – June 2016 into Common Shares at the applicable conversion price.

Subordinated Debentures – December 2017

The Subordinated Debentures – December 2017 represent a direct unsecured debt obligation of the Corporation which were issued and created pursuant to the Subordinated Trust Indenture – December 2017. The principal terms of the Subordinated Debentures – December 2017 are as follows:

Principal Amount per Debenture:	$1,000
Number of Debentures originally issued:	100,000 ($100,000,000 aggregate principal amount)
Term:	5 years (maturing on December 31, 2022)
Interest Rate:	5.25% per annum
Frequency of Payment:	Semi-annually on June 30 and December 31 of each year.

Conversion Privilege:	Convertible into Common Shares at the option of a Debentureholder at any time prior to the date that is one day prior to the maturity date of the Subordinated Debentures – December 2017 at a price equal to $51.50 per Common Share, subject to adjustment in accordance with the anti-dilution provision of the Subordinated Trust Indenture – December 2017.
Forced Conversion Right:	Convertible at the option of the Corporation at maturity of the Subordinated Debentures – December 2017 into such number of freely tradeable Common Shares as is determined by dividing the outstanding principal amount of the Subordinated Debentures – December 2017 by 95% of the weighted average 20 day trading price of the Common Shares for the previous 20 days that the Common Shares traded on the TSX.
Security:	The payment of the principal of, and interest on, the Subordinated Debentures – December 2017 will be subordinated in right of payment to the prior payment in full of all senior indebtedness of the Corporation (as defined in the Subordinated Trust Indenture – December 2017), provided that the Corporation is entitled to pay interest and the principal amount owing under the Subordinated Debentures – December 2017 so long as the conditions for such payment which are specified in any applicable subordination agreement are complied with. Each Subordinated Debenture – December 2017 ranks *pari passu* with each other Subordinated Debenture – December 2017 and with all other present and future subordinated and unsecured indebtedness of the Corporation.
Redemption Right:	Other than as noted below under “Offer Upon Change of Control”, the Subordinated Debentures – December 2017 will not be redeemable on or before December 31, 2020. After December 31, 2020, but prior to December 31, 2021, the Subordinated Debentures – December 2017 will be redeemable from time to time at the Corporation’s sole option on not more than 60 days’ and not less than 30 days’ notice, at a price equal to the principal amount of the Subordinated Debentures – December 2017 plus all accrued and unpaid interest up to but excluding the date of redemption, provided that the weighted average price of the Common Shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price specified in the Subordinated Trust Indenture – December 2017. On and after December 31, 2021 but prior to the maturity date, the Subordinated Debentures – December 2017 will be redeemable, from time to time at the Corporation’s sole option on not more than 60 days’ and not less than 30 days’ notice, at a price equal to the principal amount of the Subordinated Debentures – December 2017, plus all accrued and unpaid interest up to but excluding the date of redemption. If the Corporation elects to redeem the Subordinated Debentures – December 2017, the Debentureholders shall have the option to convert the Subordinated Debentures – December 2017 into Common Shares at the applicable conversion price.

Each series of Debentures also has the attributes set forth below.

Indebtedness of the Corporation

The Debentures are a direct obligation of the Corporation and the Corporation has covenanted to pay principal and interest thereon when due. The Debentures will bear interest from the date of initial issuance of the particular Debentures at the interest rate per annum set forth in the applicable Trust Indenture. Interest on the Debentures is payable semi-annually in arrears.

Sale

The Trust Indentures provide that the Corporation is permitted to sell, transfer or assign in the ordinary course of business assets owned by it or any part or parts thereof or an interest therein without any consent or approval of the Debentureholders or the Indenture Trustee.

Defeasance

The Trust Indentures provide that if the Corporation (i) pays the particular Debentureholders the principal and interest on the particular Debentures and all other sums payable by the Corporation under the applicable Trust Indenture, (ii) keeps, performs and observes its covenants in the particular Debentures and in the applicable Trust Indentures, and (iii) requests in writing that its covenants and the security interest created by the applicable Trust Indenture become null and void then the covenants of the Corporation and the security interest granted pursuant to the applicable Trust Indenture will cease and become null and void, and the assets will revert to the Corporation without the necessity of any release, acquittance, reconveyance, re-entry or other act or formality whatsoever.

Conversion Privilege of the Debentureholders

The Trust Indentures provide that the holder(s) of the particular series of Debentures are permitted to convert, at any time prior to the close of business on the last business day immediately preceding the maturity date, all or any part of the particular Debentures held by them on the basis of the conversion price calculated in accordance with the applicable Trust Indenture.

Certain Covenants of the Corporation Under the Trust Indentures

Under the Trust Indentures, the Corporation has covenanted substantially to the effect that, so long as any of the particular Debentures remain outstanding:

(a) the Corporation will carry on and conduct its business in a proper and efficient manner and at all reasonable times it will furnish or cause to be furnished to the Indenture Trustee or its duly authorized agent or attorney such information relating to the business of the Corporation as the Indenture Trustee may reasonably require for the performance of its duties thereunder;

(b) the Corporation will pay the Indenture Trustee's reasonable remuneration for services thereunder and will repay to the Indenture Trustee on demand all moneys which will have been paid by the Indenture Trustee in and about the execution of the trusts thereby created with interest at the rate of 2% per month from 30 days after the date of the invoice from the Indenture Trustee to the Corporation with respect to such expenditure until repayment, and such moneys and the interest thereon, including the Indenture Trustee's remuneration, will be payable out of any funds coming into the possession of the Indenture Trustee in priority to any of the particular Debentures or interest thereon. The said remuneration will continue to be payable until the trusts thereof be finally wound up and whether or not the trusts of the applicable Trust Indenture will be in the course of administration by or under the direction of the court;

(c) the Corporation will not, without the prior approval of the particular Debentureholders given by extraordinary resolution (as defined in the Trust Indentures), call for redemption or purchase for cancellation or make or declare any capital distribution with respect to any Common Shares of the Corporation, at any time when the Corporation is in arrears of payment of any principal or interest outstanding on the particular Debentures;

(d) in order to prevent any accumulation after maturity of unpaid interest, the Corporation will not directly or indirectly extend or assent to the extension of time for payment of any interest upon the particular Debentures and it will not directly or indirectly be or become a party to or approve any such arrangement by purchasing or funding any interest on the particular Debentures or in any other manner;

(e) the Corporation will diligently preserve such rights, powers, privileges, franchises and goodwill as are necessary or advisable, and such qualifications to do business and own property in all jurisdictions in which such qualification is necessary or advisable, in respect of the Corporation's assets;

(f) the Corporation will observe and comply in all respects with all governing laws and other requirements relating to its assets (including without limitation, applicable statutes, regulations, orders and restrictions relating to environmental standards or controls or to energy regulations);

(g) the Corporation will ensure that all covenants, conditions, stipulations and provisos contained in the applicable Trust Indenture and the particular Debentures are duly performed;

(h) the Corporation will maintain or cause to be maintained (to the extent that the nature of its interest permits) the assets of the Corporation in good standing, free and clear of any liens, charges and encumbrances that rank or are capable of ranking prior to or *pari passu* with the charges created by the applicable Trust Indenture, other than senior security and permitted encumbrances;

(i) the Corporation will promptly notify the particular Debentureholders of any material adverse change in their investments;

(j) the Corporation will pay and discharge or cause to be paid and discharged, promptly when due, all taxes, assessments and governmental charges or levies imposed upon it in respect of the assets of the Corporation or upon the income or profits therefrom as well as all claims of any kind (including claims for labour, materials, supplies and rent) which, if unpaid, might become a lien thereupon; providing however, that it will not be required to pay or cause to be paid any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof will concurrently be contested in good faith by appropriate proceedings diligently conducted;

(k) the Corporation will cause all necessary and proper steps to be taken diligently to protect and defend its assets and the proceeds thereof against any material adverse claim or demand, including without limitation, the employment or use of counsel for the prosecution or defence of litigation and the contest, settlement, release or discharge of any such claim or demand;

(l) the Corporation will maintain with financially sound and reputable insurers, insurance with respect to its assets against such liabilities, casual risks and contingencies and in such types and amounts as is customary in the case of corporations holding assets of a similar nature and similarly situated; and

(m) the Corporation will use its best efforts to maintain the listing of the Common Shares on the TSX and any other stock exchanges upon which the Common Shares may become listed.

Events of Default

Each of the Trust Indentures provides that the occurrence of any of the following events (for the purposes of this section, each an "**Event of Default**") constitutes an event of default for the purposes of such Trust Indenture:

(a) if the Corporation makes default in payment of the principal on any of the particular Debentures when the same becomes due and payable under any provision thereof or of the particular Debentures;

(b) if the Corporation makes default in payment of any interest due on any of the particular Debentures and such default continues for a period of 30 days;

(c) if a decree or order of a court having jurisdiction in the premises is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against all or any substantial part of the property of the Corporation, or appointing a receiver or receiver-manager of or of any substantial part of the property of the Corporation or ordering the winding-up or liquidation of its affairs;

(d) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction with respect to which the conditions of the Trust Indenture with respect to successor entities are duly observed and performed, or if the Corporation institutes procedures to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws or consents to the filing of any such petition, or if a receiver or receiver-manager is appointed over all or any substantial part of the property of the Corporation, or the Corporation makes a general assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any of the aforesaid purposes;

(e) if an event of default, as defined in any indenture or instrument under which the Corporation has or will thereafter have outstanding any indebtedness for borrowed money which matures by its terms, or which is renewable at the option of the payor, to a date more than 18 months after the creation, assumption or guarantee thereof, will happen and be continuing and such indebtedness will have been accelerated so that an amount in excess of $1,000,000 will be or become due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration will not be rescinded or annulled, or such event of default under such indenture or instrument will not be remedied or cured, whether by payment or otherwise, or waived by the holders of such indebtedness, within 10 days after such acceleration will have occurred;

(f) if the Corporation fails to make a "Change of Control Offer" (as defined below for each series of Debentures) as and when required to do so; or

(g) if the Corporation neglects to observe or perform any other covenant or condition contained in the applicable Trust Indenture on its part to be observed or performed and, after a notice in writing has been given by the Indenture Trustee to the Corporation specifying such default and requiring the Corporation to rectify the same (which said notice may be given by the Indenture Trustee upon receipt of a written requisition by Debentureholders holding not less than 25% of the aggregate principal amount of the particular Debentures outstanding), the Corporation fails to make good such default within a period of 30 days, unless the Indenture Trustee (having regard to the subject matter of the default) has agreed to a longer period, and in such event, within the period agreed to by the Indenture Trustee.

Upon the happening of any Event of Default:

(a) the holders of not less than 51% of the principal amount of the Debentures then outstanding will have the power (in addition to the powers exercisable by extraordinary resolution) by requisition in writing to instruct the Indenture Trustee to waive any Event of Default and the Indenture Trustee will thereupon waive the Event of Default upon such terms and conditions as will be prescribed in such requisition;

(b) the Indenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% of the principal amount of any particular series of Debentures, declare the principal (and premium, if any) and interest on such particular series of outstanding Debentures to be immediately due and payable; and

(c) the Indenture Trustee, so long as it has not become bound to declare the principal of and interest on the Debentures then outstanding to be due and payable, or to obtain or enforce payment of the same, will have power to waive any Event of Default if, in the Indenture Trustee's opinion, the same will have been cured or adequate satisfaction made therefor, and in such event to cancel any such declaration theretofore made by the Indenture Trustee in the exercise of its discretion, upon such terms and conditions as the Indenture Trustee may deem advisable;

provided that no act or omission either of the Indenture Trustee or of the Debentureholders in the premises will extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

Purchase for Cancellation of Debentures

The Corporation may, if it is not in default pursuant to the provisions of the applicable Trust Indenture, at any time and from time to time, purchase Debentures in the market (which shall include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by contract at any price, subject to compliance with all applicable securities laws regarding issuer bid requirements and any necessary regulatory approvals. All Debentures so purchased may, at the option of the Corporation, be delivered to the Indenture Trustee and shall be cancelled and no Debentures shall be issued in substitution therefor.

Offer Upon Change of Control

Upon the occurrence of a change of control involving the acquisition of voting control or direction over 66 2/3% or more of the outstanding Common Shares and securities convertible into or carrying the right to acquire Common Shares (for the purposes of this section, a "**Change of Control**") by any person or group of persons acting jointly or in concert, the Corporation will be required to make an offer (for the purposes of this section, the "**Change of Control Offer**") in writing to repurchase each series of Debentures at a price equal to 100% of the principal amount of such Debentures (for the purposes of this section, the "**Offer Price**"), plus accrued and unpaid interest thereon.

If 90% or more of the aggregate principal amount of the applicable series of Debentures outstanding on the date that the Corporation gives notice of a Change of Control to the Indenture Trustee have been tendered for purchase pursuant to the Change of Control Offer, the Corporation shall have the right to redeem all of the remaining Debentures of such series on such date at the Offer Price plus accrued and unpaid interest. Notice of such redemption must be given to the Indenture Trustee by the Corporation within 10 days following the expiry of the Change of Control Offer and, as soon as possible thereafter, by the Indenture Trustee to the holders of such Debentures not tendered for purchase.

Cash Change of Control

Subject to regulatory approval (if required), if a Change of Control (as defined in the above section) occurs in which 10% or more of the consideration for the voting securities in the transaction or transactions constituting a Change of Control consists of (i) cash; or (ii) equity securities or other property that is not traded or intended to be traded immediately following such transactions on a stock exchange, then during the period beginning ten days before the anticipated date on which the Change of Control becomes effective (for the purposes of this section, the "**Change of Control Date**") and ending 30 days after the Change of Control Offer is delivered, holders of each series of Debentures will be entitled to convert their Debentures at a new conversion price (for the purposes of this section, the "**Change of Control Conversion Price**") determined in accordance with the terms of the applicable Trust Indenture, provided that the Change of Control Conversion Price is not less than the price permitted by the TSX.

The Change of Control Conversion Price for each series of Debentures will be calculated as follows:

> COCCP = ECP/(1+(CP x (c/t))) where:
> COCCP is the Change of Control Conversion Price;
> ECP is the conversion price in effect on the Change of Control Date;
> CP = (i) 45% for the Subordinated Debentures – March 2013; (ii) 39% for the Subordinated Debentures - February 2014; (iii) 40% for the Subordinated Debentures – June 2016; and (iv) 40% for the Subordinated Debentures – December 2017;
> c = the number of days from and including the Change of Control Date to but excluding the maturity date; and
> t = the number of days from and including the closing date to but excluding the maturity date.

In the event the Change of Control Conversion Price calculated in accordance with the formula above is less than the price permitted by the TSX, the Change of Control Conversion Price shall be deemed to be the lowest price permitted by the TSX. Any such additional conversion entitlement shall be subject to the Change of Control transaction having been completed.

Common Share Interest Payment Election

Unless an Event of Default has occurred and is continuing, the Corporation may elect, from time to time, subject to applicable regulatory approval, to satisfy all or part of its interest payment obligations on each series of Debentures by delivering sufficient freely tradeable Common Shares to the Indenture Trustee in accordance with the applicable Trust Indenture for sale by the Indenture Trustee (for the purposes of this section, the "**Common Share Interest Payment Election**"), in which event Debentureholders will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares by the Indenture Trustee. Each Trust Indenture provides that, upon such election, the Indenture Trustee shall: (i) accept delivery of the Common Shares from the Corporation; (ii) accept bids with respect to, and deliver for settlement, such Common Shares, each as the Corporation shall direct in its absolute discretion; (iii) invest the proceeds of such sales in short–term Canadian government obligations, which mature prior to the applicable interest payment date; and (iv) perform any other action necessarily incidental thereto. The amount received by a Debentureholder in respect of interest will not be affected by whether or not the Corporation elects to utilize the Common Share Interest Payment Election.

Offer for Debentures

Each Trust Indenture contains provisions to the effect that if an offer is made for the applicable series of Debentures which is a "take–over bid" for such series of Debentures within the meaning of NI 62-104 if such Debentures were considered equity securities and not less than 90% of the outstanding principal amount of such Debentures (other than Debentures held at the date of the take–over bid by or on behalf of the offeror, any associates or affiliates of the offeror or any person acting jointly and in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire all of such series of Debentures held by Debentureholders who did not accept the offer on the same terms offered by the offeror.

Credit Facility

The Corporation has a Credit Facility in place with a syndicate of lenders. As at December 31, 2017, the maximum principal amounts available under the Credit Facility were $695,000,000 (which may be denominated in either Canadian or US funds) and an additional facility of USD$55,000,000. The Credit Facility is secured by a general security agreement over the assets of the Corporation and its Subsidiaries, subject to customary terms, conditions, covenants and other provisions, and includes both financial and negative covenants. The terms of the Credit Facility allow for the Corporation to choose the base interest rate between prime, bankers acceptances or London Inter Bank Offer Rate (i.e. LIBOR).

As at December 31, 2017, the Corporation had drawn $109,700,000 and USD$351,230,000 on its Credit Facility. The Corporation was in compliance with all financial and negative covenants as at December 31, 2017 and remains in compliance with all such covenants as at the date hereof.

Deferred Share Plan

As at December 31, 2017 there were 656,198 Deferred Shares issued and outstanding pursuant to the Deferred Share Plan, of which 464,460 Deferred Shares had vested.

Administration

The Deferred Share Plan is administered by the Compensation Committee (or such other committees of the Board to which the Board delegates responsibility for administration of the Deferred Share Plan). For the purposes of this section, "**Compensation Committee**" refers to the appropriate committee of the Board or the Board as a whole, as applicable.

Eligible Persons

The purpose of the Deferred Share Plan (sometimes referred to in this summary as the "**Plan**") is to promote a greater alignment of interests between the Directors, officers and employees of the Corporation and its affiliates (for the purposes of this section, 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 (for the purposes of this section, 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 Common 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 Plan and described below) or rights on liquidation. One Deferred Share is equivalent to one Common Share. Fractional Deferred Shares are permitted under the Deferred Share Plan.

Number of Common Shares Reserved for Issuance under the Plan

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

Vesting of Deferred Shares

Subject to the exceptions noted below, Deferred Shares granted to Participants pursuant to the 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 National Instrument 58-101 *Disclosure of Corporate Governance Practices* 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 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 cash dividends are paid to the holders of the Common 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 Common Share;

by

(b) 100% of the Market Value (as defined below) of a Common 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 Plan, "Market Value" at any date in respect of Common Shares is defined as the average of the closing prices (or if the Common 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 Common Shares are not listed and posted for trading on the TSX, on such stock exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the Directors). In the event that the Common Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Common Shares as determined by the Compensation Committee in its sole discretion.

Redemption of Deferred Shares

For the purposes of the 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 (for the purposes of this section, 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 Plan, shall be redeemed (for the purposes of this section, 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 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, (i) a whole number of Common 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 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 Common 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 Common Shares to the Participant under the Plan (i) require the Participant to reimburse the Corporation for any applicable withholding taxes in respect of the issuance of the Common 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 Common Shares to such Participant; (iii) retain, acquire or sell on behalf of a Participant any Common 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 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

On May 14, 2013, the Deferred Share Plan was amended to provide for a different definition of "Redemption Date" for U.S. Participants that is in compliance with the Code as well as certain other changes 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 the holders of Common Shares. Without limiting the generality of the foregoing, the Board may make changes:

- to correct errors, immaterial inconsistencies or ambiguities in the text of the Deferred Share Plan;
- necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies; and
- 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 the holders of Common Shares at a meeting called for that purpose:

- an amendment that would result in any increase in the number of Deferred Shares issuable under the Plan;
- 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
- 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 the holders of Common Shares.

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.

Dividend Reinvestment and Cash Purchase Plan

The DRIP provides eligible Shareholders with the opportunity to reinvest the dividends they receive on Common Shares in additional Common Shares at a discount to the market price of the Common Shares and without incurring brokerage fees or commissions. The terms of the DRIP are summarized below.

Purpose

The DRIP permits eligible holders of Common Shares to automatically reinvest some or all cash dividends paid on Common Shares in additional Common Shares and to make optional cash purchases of additional Common Shares.

Eligibility

Subject to the restrictions described below under "Restrictions", registered Shareholders who reside in Canada and hold at least one whole Common Share are eligible to participate in the DRIP. Non-registered beneficial Canadian Shareholders may also participate in the DRIP but should contact their intermediary to determine procedures for participation in the DRIP.

Enrollment – Registered Shareholders

Registered holders of Common Shares may enroll their Common Shares in the DRIP by completing an enrollment authorization in such form as may be approved by the Corporation and the agent appointed by the Corporation from time to time to administer the DRIP (for the purposes of this section, the "**Plan Agent**").

Enrollment – Beneficial Shareholders

Shareholders who hold their Common Shares through an intermediary must have such Common Shares registered in their own name and enrolled in the manner described under "Enrollment – Registered Shareholders" above, or instruct their intermediary to enroll their Common Shares in the DRIP on their behalf, if the intermediary will allow such enrollment.

Date of Enrollment

A registered holder of Common Shares will become a participant in the DRIP as of the next dividend record date following receipt by the Plan Agent of the Shareholder's completed enrollment authorization form, provided that the Plan Agent has received such form at least five business days prior to such record date. The date of enrollment for non-registered beneficial holders of Common Shares who have instructed an intermediary to enroll their Common Shares in the DRIP will be determined by the administrative practices of such intermediary, provided that requests for enrollment submitted to the Plan Agent by an intermediary less than five business days prior to a dividend record date will be processed after the next dividend payment date.

Restrictions

The Corporation may, in its sole discretion, determine from time to time that any Shareholder or group of Shareholders may not participate or continue to participate in the DRIP. Without limitation, the Corporation may deny the right to participate in the DRIP to any Shareholder if the Corporation has reason to believe that such Shareholder has been engaging in market activities, or has been artificially accumulating securities of the Corporation, for the purpose of taking undue advantage of the DRIP to the detriment of the Corporation.

Purchase of Common Shares Under the DRIP

On each date on which cash dividends are paid on the Common Shares (for the purposes of this section, a "**Dividend Payment Date**") the Corporation will pay all cash dividends payable on Common Shares enrolled in the DRIP to the Plan Agent. Those cash dividends will be aggregated and used by the Plan Agent to purchase Common Shares (for the purposes of this section, "**Dividend Shares**") on behalf of plan participants who are registered Shareholders (for the purposes of this section, each a "**Registered Participant**") on each Dividend Payment Date. The Dividend Shares will, in turn, be enrolled in the DRIP. Following each Dividend Payment Date, each Registered Participant's account will be credited with that number of Dividend Shares, including fractions computed to four decimal places, which is equal to the aggregate amount to be invested for the Registered Participant's account divided by the applicable "Average Market Price" as that term is defined under "Price of Common Shares" below.

Optional Cash Purchase of Common Shares

Participants of the DRIP may choose to make optional cash purchases of Common Shares under the DRIP in a minimum amount of $100, subject to a maximum of $10,000 per calendar year. Optional cash payments are used by the Plan Agent to purchase Common Shares on the first Dividend Payment Date following receipt of a payment enrollment form and cheque, provided that any such form and cheque are dated and received no later than 5 business days before a Dividend Payment Date. Enrollment forms and cheques dated and received less than 5 business days before a Dividend Payment Date are held for investment until the next Dividend Payment Date. There is no obligation on a participant of the DRIP to make optional cash payments or to make all such payments in the same amount. No interest is paid to participants of the DRIP on any funds held for investment under the DRIP. The aggregate number of Common Shares purchased with optional cash payments may not exceed two (2) percent of the total number of outstanding Common Shares of the Corporation at the commencement of any financial year.

The Plan Agent is required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) to collect and record certain information relating to optional cash purchases. Plan participants wishing to make an optional cash purchase of Common Shares are required to complete a participant declaration form and comply with the Plan Agent's requirements.

Eligible optional cash payments made by Registered Participants are aggregated and used by the Plan Agent to purchase Common Shares (for the purposes of this section, "**Optional Cash Purchase Shares**") on behalf of those Registered Participants on each Dividend Payment Date. Optional Cash Purchase Shares are, in turn, enrolled in the

DRIP. Following each Dividend Payment Date, the account of each Registered Participant making an optional cash purchase is credited with that number of Optional Cash Purchase Shares purchased on behalf of the Registered Participant, including fractions computed to four decimal places, which is equal to the aggregate amount to be invested for the Registered Participant's account divided by the applicable Average Market Price.

Non-Registered Participants should contact their intermediary to determine the procedures for making optional cash purchases of Common Shares under the DRIP.

Price of Common Shares

Neither the Corporation nor the Plan Agent exercises any direct or indirect control over the price paid for Dividend Shares or Optional Cash Purchase Shares (for the purposes of this section, collectively, "**Plan Shares**") purchased under the DRIP.

The price allocated to each Plan Share, or fraction thereof, acquired by the Plan Agent under the DRIP on each Dividend Payment Date (for the purposes of this section, the "**Average Market Price**") is equal to 97% of the volume weighted average closing trading price of the Common Shares on the TSX on the five trading days preceding the Dividend Payment Date.

Withdrawal of Common Shares Under the DRIP

Registered Participants may withdraw some or all of their whole Common Shares held by the Plan Agent under the DRIP at any time upon written request to the Plan Agent. The Plan Agent will confirm such withdrawal in the next statement of account mailed to the Registered Participant following receipt of such request, provided that written notice of withdrawal of Plan Shares received no later than five business days prior to a dividend record date will not be processed until after the applicable Dividend Payment Date. The Plan Agent will deliver a Common Share certificate for the Plan Shares withdrawn from the DRIP to the Registered Participant.

If a participant of the DRIP withdraws less than all of their Plan Shares, cash dividends paid on their remaining Plan Shares will continue to be reinvested in Common Shares under the DRIP.

Non-Registered Participants should contact their intermediary to determine the procedures for withdrawing Plan Shares from the DRIP.

Termination of a Participant's Account

Registered Participants may terminate their participation in the DRIP by written notice to the Plan Agent at any time. Termination requests are processed as promptly as practicable upon receipt by the Plan Agent of such notice. If the Plan Agent receives written notice of termination less than five business days prior to a dividend record date, termination of participation in the DRIP and settlement of the participant's account will not take place until after that Dividend Payment Date.

The Plan Agent will settle a terminating Registered Participant's account by issuing a Common Share certificate for the number of whole Plan Shares held in such Registered Participant's account and making a cash payment to such Registered Participant for any fraction of a Plan Share remaining. The amount of the payment for any such fraction will be determined by reference to the closing price of Common Shares on the TSX on the trading day immediately prior to the date that the termination is processed by the Plan Agent.

Non-Registered Participants should contact their intermediary to determine the procedures for terminating their participation in the DRIP.

Death of a Participant

Participation in the DRIP will be terminated upon receipt by the Plan Agent of appropriate evidence of the death of the Registered Participant from such Registered Participant's duly appointed legal representative and written instructions to terminate. Proof of the legal representative's authority to act must accompany the evidence of death. The Plan Agent will terminate and settle the account for such deceased Registered Participant in the manner provided under "Termination of a Participant's Account" above. Requests for issuance of a Common Share certificate and/or a cash payment for a fractional Plan Share in the name of an estate must be accompanied by such appropriate documentation as may be reasonably requested by the Plan Agent and the Corporation.

Voting of Plan Shares

Registered Participants may vote whole Plan Shares held by the Plan Agent on their behalf, in the same manner as any other Common Shares either by proxy or in person. The Plan Agent will forward to Registered Participants, as soon as practicable following receipt, any proxy solicitation materials.

Non-Registered Participants should contact their intermediary to determine the procedures for voting Plan Shares.

Rights Offerings, Stock Splits and Stock Dividends

If the Corporation makes available to holders of record of its Common Shares rights to subscribe for additional Common Shares or other securities, Registered Participants will be forwarded rights certificates pertaining to their whole Plan Shares held by the Plan Agent on their behalf, subject to the terms and conditions of the rights offering. No such rights will be made available in respect of fractions of Plan Shares held by the Plan Agent. Each Registered Participant's account will be adjusted for any stock splits or stock dividends declared on Common Shares.

Non-Registered Participants should contact their intermediary with questions regarding the procedures for rights offerings, stock splits and stock dividends.

Termination or Amendment of DRIP

Subject to any required regulatory or stock exchange approval, the Corporation may amend or suspend, in whole or in part, or terminate the DRIP at any time upon notice thereof to all participants of the DRIP without their consent or approval. If the DRIP is terminated by the Corporation, the Plan Agent will remit to each Registered Participant a Common Share certificate for whole Plan Shares held for such Registered Participant under the DRIP, together with the proceeds for any fractions of such shares in the same manner as described under "Termination of a Participant's Account" above. In the event of suspension of the DRIP, the Plan Agent will make no investments on any Dividend Payment Date following the effective date of such suspension and during such suspension. Any amendments to the DRIP are subject to the prior approval of the TSX.

Non-Registered Participants should contact their intermediary with questions regarding the procedures of the intermediary in the event of the suspension or termination of the DRIP.

Employee Share Purchase Plan

Summary of the ESPP

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 who are not eligible to participate under the Deferred Share Plan, but with participation in the ESPP being entirely optional. Employees may elect to annually contribute up to a maximum of 5% of their annual gross salary and the Corporation or the relevant Subsidiary also purchases from the market for the participant an additional number of Common Shares equal to 33 1/3% of the Common Shares purchased by the participant and the value equal to the dividends awarded to the additional shares over the 18-month vesting period, in addition to paying all fees and commissions (if any) on the purchase of Common Shares in the ESPP. As at December 31, 2017, there were 54,731 Common Shares reserved for issuance pursuant to the ESPP.

Persons holding greater than 5% of the issued and outstanding Common Shares and persons who are eligible to participate in the Deferred Share Plan (including all Directors) are not entitled to participate in the ESPP.

Operation of ESPP

Employees of the Corporation and its Subsidiaries may be entitled to receive a loan to purchase Common Shares pursuant to the ESPP. The loan, together with interest, must be repaid over a period of 12 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 Common Shares of the participant held pursuant to the ESPP shall be sold and the loan repaid.

The Common 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 Common Shares under the ESPP once per year at the commencement of each year's new program. The acquisition price for the Common Shares is the price per Common Share equal to the weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the acquisition date.

Common Shares acquired under the ESPP are subject to a vesting period of 18 months, during which time Common Shares remain in an ESPP account. Participants may withdraw their Common Shares from their ESPP at any time prior to the end of the 18 month vesting period by terminating their participation, but such termination results in that participant not being entitled to receive the unvested Common Share award to come from the Corporation at the end of the vesting period. In any event, all Common Shares issued pursuant to the ESPP are subject to a four month hold period pursuant to applicable securities legislation.

The maximum number of Common Shares that may be issued to any one participant under the ESPP shall be governed by the participant's annual gross salary. The maximum number of Common Shares that may be issued to any particular employee of the Corporation pursuant to the ESPP in any year is 5% of the gross salary of such employee for the particular year. In addition, no one employee may receive greater than 5% of the issued and outstanding Common Shares of the Corporation pursuant to the ESPP in any particular year. The maximum number of Common 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 Common Shares. Certain other restrictions and limitations are set out in the ESPP. 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 all unvested Common Shares.

The maximum number of Common Shares that may be issued in aggregate pursuant to the ESPP is equal to 5% of the issued and outstanding Common Shares of the Corporation. The maximum number of Common Shares issuable under the ESPP together with Common Shares authorized for issuance under all security based compensation schemes, including the ESPP, shall not exceed 10% of the issued and outstanding Common Shares at any time.

No person can participate in both the ESPP and the Deferred Share Plan.

Amendments to ESPP

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

In addition, any amendment to the ESPP that would: (a) result in any increase in the number of Common Shares issuable under the ESPP; (b) provide for any discount to the purchase price paid by participants for Common Shares under the ESPP; (c) increase the number of additional Common 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.

RIGHTS PLAN

Attached as Schedule "B" hereto is a summary of the features of the Rights Plan that was first implemented in 2011 and most recently amended and restated in 2017 pursuant to the Rights Plan Agreement. The summary is qualified in its entirety by the full text of the Rights Plan, a copy of which is available from the Corporation. All defined terms, where used in this summary without definition, have the meanings attributed to them in the Rights Plan Agreement.

The primary objectives of the Rights Plan are to ensure that, in the context of a bid for control of the Corporation through an acquisition of the Common Shares, the Board has sufficient time to explore and develop alternatives for maximizing Shareholder value, to provide adequate time for competing bids to emerge, to ensure that Shareholders have an equal opportunity to participate in such a bid and to give them adequate time to properly assess the bid and lessen the pressure to tender typically encountered by a shareholder of a company that is subject to a bid.

CONSTRAINTS ON OWNERSHIP

The *Canada Transportation Act*, as amended, and the articles of amalgamation of the Corporation, as may be amended from time to time (collectively, the "**Reference Instruments**"), contain restrictions on ownership, transfer and, in certain circumstances, voting of Common Shares. There is a restriction against any person or group of associated persons that are Non-Canadians, holding, beneficially owning or controlling more than 20% of the Common Shares of the Corporation, and a provision limiting, on a pro rata basis, the voting rights exercised by all Non-Canadians and their associates at any meeting of Shareholders to an aggregate of 25% of the total votes cast on any resolution. In addition, the Reference Instruments permit the Corporation to sell shares held by Non-Canadians in the event that Non-Canadians own greater than 20% of the issued and outstanding shares of the Corporation. For further details of the restrictions on ownership of Common Shares by Non-Canadians, see the articles of arrangement of the Corporation which have been filed on SEDAR which are available at www.sedar.com.

The Board is responsible for monitoring the level of the ownership of the Common Shares and will take the necessary steps to ensure that strict compliance with the Reference Instruments is maintained.

MARKET FOR SECURITIES

The following are the Corporation's securities traded on the TSX with their trading symbols. The following is a summary of the price ranges and volumes traded on the TSX, as applicable, from January 1, 2017 to December 31, 2017:

Month of year ended 2017		Common Shares "EIF"	Subordinated Debentures September 2012 "EIF.DB.E"	Subordinated Debentures March 2013 "EIF.DB.F"	Subordinated Debentures February 2014 "EIF.DB.G"	Subordinated Debentures June 2016 "EIF.DB.H"	Subordinated Debentures December 2017 "EIF.DB.I"(1)
January	High	$42.63	$117.25	$108.70	$135.00	$107.76	N/A
	Low	$38.90	$109.21	$105.75	$127.00	$105.00	
	Volume	3,234,365	983,000	5,820	11,420	9,470	
February	High	$41.91	$115.01	$108.00	$130.64	$106.00	N/A
	Low	$37.65	$110.00	$103.59	$122.00	$103.00	
	Volume	2,389,431	364,000	33,470	3,930	6,880	

Month of year ended 2017		Common Shares "EIF"	Subordinated Debentures September 2012 "EIF.DB.E"	Subordinated Debentures March 2013 "EIF.DB.F"	Subordinated Debentures February 2014 "EIF.DB.G"	Subordinated Debentures June 2016 "EIF.DB.H"	Subordinated Debentures December 2017 "EIF.DB.I"(1)
March	High Low Volume	$40.10 $35.68 2,658,394	$110.01 $105.00 267,000	$106.00 $102.50 6,760	$127.50 $116.00 2,860	$107.77 $105.00 13,190	N/A
April	High Low Volume	$39.33 $34.40 2,015,517	$110.00 $103.00 512,000	$105.01 $102.75 3,760	$124.00 $115.00 225	$107.49 $103.50 5,840	N/A
May	High Low Volume	$36.19 $32.82 4,680,570	$104.00 $102.13 1,298,000	$103.75 $102.00 27,730	$116.000 $113.130 720	$107.00 $101.02 9,870	N/A
June	High Low Volume	$34.18 $28.63 5,294,333	$103.00 $99.43 6,929,000	$105.00 $101.00 33,980	$113.00 $105.00 2,790	$102.51 $99.90 32,910	N/A
July	High Low Volume	$35.09 $25.80 8,240,672	$104.00 $99.00 3,395,000	$102.50 $96.65 14,630	$113.00 $99.00 12,175	$102.51 $95.00 28,700	N/A
August	High Low Volume	$33.49 $28.57 2,764,973	$101.46 $99.80 1,099,000	$101.50 $99.50 27,990	$111.21 $103.02 3,755	$99.85 $97.12 14,200	N/A
September	High Low Volume	$35.37 $31.19 2,062,070	$102.00 $100.50 806,000	$102.00 $100.00 4,550	$114.00 $108.01 2,290	$101.40 $99.25 15,280	N/A
October	High Low Volume	$35.50 $30.54 2,040,034	$102.50 $99.75 814,000	$102.50 $100.05 18,976	$113.01 $108.25 4,670	$102.00 $100.50 11,080	N/A
November	High Low Volume	$36.99 $31.75 2,138,617	$104.51 $100.00 610,000	$103.75 $102.50 4,770	$115.00 $107.75 870	$103.50 $100.75 8,650	N/A
December	High Low Volume	$37.60 $34.40 1,537,572	$102.80 $100.10 1,259,000	$103.28 $100.10 5,160	$118.50 $108.05 1,930	$103.75 $102.50 16,130	$99.99 $98.22 142,090

Note:

(1) The Subordinated Debentures – December 2017 were first listed on December 20, 2017. Therefore the price ranges and volumes traded on the TSX are from December 20, 2017 to December 31, 2017.

PRIOR SALES

During the year ended December 31, 2017, the Corporation did not issue any securities that were not listed or quoted on an exchange or marketplace.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets forth the number of Common Shares held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer as at December 31, 2017.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer	Percentage of Class
Common Shares	370,435 (1)(2)(3)(4)	1.18%

Notes:

(1) An aggregate of 438,209 Common Shares issued by the Corporation to the former shareholders of Regional One pursuant to the acquisition of Regional One are subject to an escrow agreement dated April 12, 2013 among Doron Marom, Doron Marom as trustee for the Lee and Dan Marom Trust, EIIF US and Wells Fargo Bank, National Association, as escrow agent. Pursuant to this escrow agreement, 20% of the Common Shares initially escrowed are scheduled to be released on each of the first, second, third, fourth and fifth anniversaries of the acquisition of Regional One by the Corporation provided that Mr. Marom's employment with Regional One has not been terminated by Regional One for cause or at the option of Mr. Marom. On April 12, 2014, 87,642 Common Shares were released under the escrow agreement at the first anniversary date. On April 12, 2015, 87,642 Common Shares were released under the escrow agreement at the second anniversary date. On April 12, 2016, 87,642 Common Shares were released under the escrow agreement at the third anniversary date. On April 12, 2017, 87,642 Common Shares were released under the escrow agreement at the fourth anniversary date. In the event that Mr. Marom's employment with Regional One is terminated by Regional One for cause or at the option of Mr. Marom, the former shareholders of Regional One shall still be entitled to receive their escrowed Common Shares on the applicable anniversary dates referenced above, subject to Regional One meeting certain financial targets. The escrowed Common Shares may also be released to the former shareholders of Regional One upon the occurrence of certain other events including the death or permanent disability of Mr. Marom, a change in control of Regional One, the termination without cause of Mr. Marom by Regional One or certain material breaches by Regional One of the terms of Mr. Marom's employment. In the event that the former shareholders of Regional One lose their entitlement to these escrowed Common Shares, such escrowed Common Shares shall be sold by the escrow agent and the net proceeds from such sale shall be paid to EIIF US.

(2) An aggregate of 112,295 Common Shares issued by the Corporation to MMAV Investment Corporation, one of the former shareholders of Ben Machine, pursuant to the acquisition of Ben Machine are subject to an escrow agreement dated July 2, 2015 among the Corporation, MMAV Investment Corporation and Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP), as escrow agent. Pursuant to such escrow agreement, 20% of the Common Shares initially escrowed are scheduled to be released on each of the first, second, third, fourth and fifth anniversaries of the acquisition of Ben Machine provided that the employment of Adrian Iacovelli (the principal of MMAV Investment Corporation) with Ben Machine has not been terminated by Ben Machine for Cause (as defined in the escrow agreement) or at the option of Adrian Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine. On July 2, 2016, 22,459 Common Shares were released under the escrow agreement at the first anniversary date. On July 2, 2017, 22,459 Common Shares were released under the escrow agreement at the second anniversary date. If Adrian Iacovelli's employment with Ben Machine is terminated by Ben Machine for Cause or at the option of Adrian Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine, the remainder of any Common Shares still in escrow shall automatically be forfeited. In the event that the employment of Adrian Iacovelli is terminated by Ben Machine without Cause or in the event of the death of Adrian Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine, Adrian Iacovelli will be deemed to be continuously employed by Ben Machine until and including the fifth anniversary of the acquisition of Ben Machine and for greater certainty, MMAV Investment Corporation will be entitled to and shall receive any and all escrowed Common Shares in accordance with the escrow agreement.

(3) An aggregate of 112,295 Common Shares issued by the Corporation to Chantik Capital Corporation, one of the former shareholders of Ben Machine, pursuant to the acquisition of Ben Machine are subject to an escrow agreement dated July 2, 2015 among the Corporation, Chantik Capital Corporation and Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP), as escrow agent. Pursuant to such escrow agreement, 20% of the Common Shares initially escrowed are scheduled to be released on each of the first, second, third, fourth and fifth anniversaries of the acquisition of Ben Machine provided that the employment of Michael Iacovelli (the principal of Chantik Capital Corporation) with Ben Machine has not been terminated by Ben Machine for Cause (as defined in the escrow agreement) or at the option of Michael Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine. On July 2, 2016, 22,459 Common Shares were released under the escrow agreement at the first anniversary date. On July 2, 2017, 22,459 Common Shares were released under the escrow agreement at the second anniversary date. If Michael Iacovelli's employment with Ben Machine is terminated by Ben Machine for Cause or at the option of Michael Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine, the remainder of any Common Shares still in escrow shall automatically be forfeited. In the event that the employment of Michael Iacovelli is terminated by Ben Machine without Cause or in the event of the death of Michael Iacovelli at any time prior to the fifth anniversary of the acquisition of Ben Machine, Michael Iacovelli will be deemed to be continuously employed by Ben Machine until and including the fifth anniversary of the acquisition of Ben Machine and for greater certainty, Chantik Capital Corporation will be entitled to and shall receive any and all escrowed Common Shares in accordance with the escrow agreement.

(4) An aggregate of 148,040 Common Shares issued by the Corporation to Old Quest Windows pursuant to the acquisition of the assets of Old Quest Windows are subject to an escrow agreement dated November 14, 2017 (the "**Quest Acquisition Date**") among the Corporation, Quest Windows, Old Quest Windows and MLT Aikins LLP, as escrow agent. Pursuant to such escrow agreement, 20% of the Common Shares initially escrowed are scheduled to be released to Old Quest Windows on each of the first, second, third, fourth and fifth anniversaries of the Quest Acquisition Date provided that: (a) for the first three anniversaries of the acquisition of the assets of Old Quest Windows, Martin Cash and Jody Cash (the principals of Old Quest Windows) remain employed by Quest Windows or are deemed to be employed Quest Windows; and (b) for the fourth and fifth anniversaries of Quest Acquisition Date, either Martin Cash or Jody Cash remains employed by Quest Windows or are deemed to be employed by Quest Windows. The escrow agreement contains certain additional provisions that could result in the immediate release of all or a portion of the Common Shares held in escrow or the cancellation of the Common Shares held in escrow.

DIRECTORS AND OFFICERS

The names of the directors and officers of the Corporation are indicated below (alphabetically). The term of office of each Director will expire at the next annual meeting of Shareholders.

Directors and Officers

Brad Bennett, O.B.C. – Director (British Columbia, Canada)(1)(3)(5)(6)

Mr. Bennett (age 60) has been the President of McIntosh Properties Ltd., a real estate and investment holding company, since 1990. Mr. Bennett has served on a number of public and private company boards and is currently a director of Kal Tire Holdings Ltd., a director of Quails' Gate Winery, a director of UBC Properties Trust and a trustee of the Fraser Institute.

Past public service positions include Chair of British Columbia Hydro, Chair of MITACS, Chair of University of British Columbia Board of Governors, Chair of Okanagan University College, Chair of Kelowna General Hospital Foundation, Chair of Rotary Centre for the Arts Building Committee in Kelowna, director of Powerex Inc., Co-Chair of the Central Okanagan Hospice Campaign and a member of the Premier's Technology Council.

Mr. Bennett received an honorary Alumni Award from the University of British Columbia in 2007, was awarded the Order of British Columbia in 2010 and received an honorary Doctorate of Laws from the University of British Columbia in 2011. Mr. Bennett was awarded the Queen's Diamond Jubilee Medal in 2012. Mr. Bennett became a Director on July 28, 2009.

Gary Buckley, B. Comm – Director (Manitoba, Canada)(1)(2)(3)(6)(8)

Mr. Buckley (age 57) is the Chair of the Compensation Committee. Mr. Buckley holds a Bachelor of Commerce degree from the University of Alberta. Mr. Buckley has been involved in the hotel and hospitality industry since 1983. Since 1998, Mr. Buckley has been the co-owner and operator of the Elkhorn Resort & Conference Center in Clear Lake, Manitoba. Mr. Buckley is also the largest shareholder of Genesis Hospitality Inc., which owns various hotel properties in Alberta, Manitoba and Ontario. Mr. Buckley is also the owner of additional commercial and multi-family residential properties. Mr. Buckley is currently a director of Pavillion Financial Corporation and a past director of Temple Hotels Inc. (formerly Temple Real Estate Investment Trust) and of the CancerCare Manitoba Foundation as well as other non-profit organizations. Mr. Buckley has been a director since July 28, 2009 and was previously a trustee of a predecessor to the Corporation.

Allan Davis, CPA, CA – Director (Ontario, Canada)(1)(2)(3)(6)

Mr. Davis (age 63) holds a Bachelor of Commerce (Honours) degree from the University of Manitoba. He is a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Manitoba. Mr. Davis is currently the President and Director of AFD Investments Inc., a management consulting firm with extensive experience in transportation, distribution, and manufacturing. Mr. Davis is also the Independent Chair of the Board of Trustees and a member of the Audit Committee of the Boyd Group Income Fund. Mr. Davis became a Director on May 15, 2014. Prior to his election to Director, Mr. Davis was a non-Director member of the Manufacturing Sector Advisory Committee.

The Hon. Gary Filmon P.C., O.C., O.M., LLD., ICD.D – Director and Chair (Manitoba, Canada)(1)(4)(6)(8)(9)

Mr. Filmon (age 75) is 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. Mr. Filmon has been a Director since July 28, 2009 and was previously a trustee of a predecessor to the Corporation.

Duncan D. Jessiman Q.C. – Director and Executive Vice-Chair (Manitoba, Canada)(5)(6)(7)(8)(9)

Mr. Jessiman (age 71), is the Chair of the Disclosure Committee and the 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 working time to the business of the Corporation. Mr. Jessiman has been a Director since July 28, 2009 and was previously a trustee of a predecessor to the Corporation.

Serena Kraayeveld, FCPA, FCA, ICD.D – Director (Manitoba, Canada)(1)(2)(4)(5)

Ms. Kraayeveld (age 67) 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 Chartered Professional Accountants of Manitoba and Canada. Ms. Kraayeveld was elected an FCA by the Institute of Chartered Accountants of Manitoba in 1990. Prior to her retirement from public practice in 2008, Ms. Kraayeveld was a tax partner with PricewaterhouseCoopers LLP, providing tax and business advisory services to public and private clients in a broad range of industries. In addition, Ms. Kraayeveld served terms as the Managing Partner of the Winnipeg Office of Coopers & Lybrand, as the Partner in Charge of the Winnipeg tax practice of PricewaterhouseCoopers LLP and as a member of the Partnership Board of each of these firms.

Ms. Kraayeveld is a member of the Institute of Corporate Directors and received the ICD.D designation in 2008. Other past board positions have included the boards of CAA Manitoba, Institute of Chartered Accountants of Manitoba, Canadian Tax Foundation, United Way of Winnipeg, Manitoba Theatre Centre, Ducks Unlimited Canada and YWCA of Winnipeg. Ms. Kraayeveld became a Director on November 10, 2011.

Michael Pyle, MBA, ICD.D – Director and Chief Executive Officer (Manitoba, Canada)(5)(6)(7)(8)(9)

Mr. Pyle (age 53) 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 the Winnipeg Blue Bombers Football Club. Mr. Pyle devotes the majority of his time to the Corporation. Mr. Pyle has been the Chief Executive Officer and a Director of the Corporation since July 28, 2009. Previously, Mr. Pyle was the Chief Executive Officer and a trustee of a predecessor to the Corporation.

Donald Streuber, FCPA, FCA – Director (Manitoba, Canada)(1)(2)(4)(5)(8)

Mr. Streuber (age 60) is the Chair of the Audit Committee and 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 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. Mr. Streuber has been a Director since July 28, 2009 and was previously a trustee of a predecessor to the Corporation.

Edward Warkentin, LL.B. – Director (Manitoba, Canada)(1)(3)(6)(8)

Mr. Warkentin (age 68) is the Chair of the Manufacturing Sector Advisory Committee. Mr. Warkentin holds a undergraduate degree from the University of Winnipeg, a law degree from the University of Manitoba and has been a member of the Bars of Ontario and Manitoba for more than 35 years. Mr. Warkentin is the former Managing Partner of Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP) where he practiced in the area of corporate and commercial law.

Mr. Warkentin is a former director and Chair of Youth for Christ (Winnipeg) Inc., a former director of Manitoba Mineral Resources Ltd. and a former director of Grace Hospital Board of Management. Mr. Warkentin is currently a trustee and Chair of Artis Real Estate Investment Trust, a TSX listed issuer. He is also a director or officer of several private corporations and foundations and is a member of the Institute of Corporate Directors, Manitoba Chapter. Mr. Warkentin has been a Director since July 28, 2009 and was previously a trustee of a predecessor to the Corporation.

Gary Beaurivage – Vice-President and Chief Operating Officer, Aviation (Manitoba, Canada)

Mr. Beaurivage (age 63) is Vice-President and Chief Operating Officer, Aviation and is responsible for the operations within the Corporation's aerospace & aviation segment. Mr. Beaurivage was hired as Vice-President and Chief Operating Officer, Aviation in April, 2013. Prior to that, Mr. Beaurivage spent 40 years at Calm Air LP and its predecessors where Mr. Beaurivage moved up through the company, spending 13 years as President and Chief Executive Officer. Mr. Beaurivage has extensive experience relating to passenger and cargo transportation and aircraft maintenance. While based in northern Manitoba for many years, Mr. Beaurivage developed relationships with many of the northern based corporations, First Nations and Inuit leaders and communities that are serviced by a number of the Corporation's aerospace & aviation businesses. Mr. Beaurivage will retire from the Corporation effective March 31, 2018.

Carmele Peter, LL.B. – President (Manitoba, Canada)

Ms. Peter (age 52), a lawyer, joined the management team of the Corporation in November, 2012 as Chief Administrative Officer. In July, 2014 she became the President of the Corporation. Prior to joining the Corporation, Ms. Peter practiced law for over 23 years at the law firm of Aikins, MacAulay & Thorvaldson LLP (now MLT Aikins LLP), where she specialized in transactional and tax work. During her legal career she represented a number of clients and was involved in many significant transactions, including the sale of Craig Media Inc., the acquisition of Allstream Inc., the sale of MTS's yellow pages directory business, and the acquisition of the Winnipeg Jets.

Tamara Schock, CPA, CA – Chief Financial Officer (Manitoba, Canada)

Ms. Schock (age 46), a Chartered Professional Accountant, was appointed Chief Financial Officer of the Corporation in November, 2015. Prior to joining the Corporation, Ms. Schock was a partner at Deloitte LLP where she had worked for most of her 20 year professional accounting career. She has had extensive experience dealing with multinational public companies in the financial services and manufacturing sectors. Her experience also includes providing acquisition advisory services to private equity firms and financial institutions.

Darwin Sparrow –Chief Operating Officer (Manitoba, Canada)[9]

Mr. Sparrow (age 51) is the Chief Operating Officer of the Corporation and is responsible for the operations of the Corporation. Mr. Sparrow joined a predecessor to the Corporation in March, 2008 as Vice President and Chief Operating Officer of Manufacturing. Mr. Sparrow spent 19 years in the manufacturing industry prior to joining a predecessor to the Corporation and has a proven track record of managing companies to reach their full potential. Mr. Sparrow has extensive experience in managing multi plants with cross border operations.

Dianne Spencer – Corporate Secretary (Manitoba, Canada)[9]

Ms. Spencer (age 53) joined the management team of a predecessor to the Corporation in August, 2005 as the Manager, Compliance. Ms. Spencer is largely responsible for monitoring the Canadian ownership of the Common Shares and ensuring that all filing requirements are met in relation to the Common Shares, any securities matters and all corporate filings for the Corporation and its Subsidiaries. Prior to joining the Corporation, she was employed at Aikins, MacAulay & Thorvaldson LLP as a legal assistant specializing in corporate, commercial and securities law. Ms. Spencer became the Corporate Secretary of the Corporation on July 28, 2009. Previously, Ms. Spencer was the Corporate Secretary of a predecessor to the Corporation.

Adam Terwin, CPA, CA, CFA – Chief Corporate Development Officer (Manitoba, Canada)[7][9]

Mr. Terwin (age 38), a Chartered Professional Accountant and a Chartered Financial Analyst, joined the management team of a predecessor to the Corporation in July, 2005. Mr. Terwin served as Chief Financial Officer of the Corporation until July of 2014 when he became the Chief Corporate Development Officer of the Corporation. Prior to joining a predecessor to the Corporation, he was employed at Deloitte LLP. Mr. Terwin placed on the Canadian Institute of Chartered Accountants National Honour Roll for excellence on the Uniform Evaluation. He has a Bachelor of Commerce (Honours) from the University of Manitoba, where he received the gold medal for the highest standing at the I.H. Asper School of Business, as well as the I.H. Asper School of Business program medals for accounting and finance. Mr. Terwin is responsible for leading the Corporation's acquisition focus, as well as strategic growth initiatives for the Corporation's existing entities.

Notes:

(1) Independent Director.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Governance Committee.
(5) Member of the Aerospace & Aviation Sector Advisory Committee.
(6) Member of the Manufacturing Sector Advisory Committee.
(7) Member of the Disclosure and Competition Committee.
(8) Previously a trustee of a predecessor to the Corporation.
(9) Previously an officer of a predecessor to the Corporation.

Aggregate Ownership of Securities

As of the date of this annual information form, the current Directors and officers of the Corporation beneficially own, or exercise control and direction over, directly or indirectly an aggregate of 2,665,528 Common Shares (approximately 8.5% of the issued and outstanding Common Shares). In addition, the current Directors and officers of the Corporation have an aggregate of 627,280 deferred shares under the Deferred Share Plan, including 480,790 deferred shares that have vested. On a combined basis, the current Directors and officers of the Corporation beneficially own, or exercise control and direction over, directly or indirectly an aggregate of 3,292,808 Common Shares and deferred shares (approximately 10.2% of the combined issued and outstanding Common Shares and deferred shares under the Deferred Share Plan).

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no current Director or officer of the Corporation or Shareholder who holds a sufficient number of Common Shares to materially affect control of the Corporation is, or has been within the past ten years, a director, trustee or executive officer of any other issuer that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any statutory exemptions for a period of more than 30 consecutive days, or was subject to an event that resulted, after that person ceased to be a director, trustee or executive officer, in the issuer being the subject of a cease trade order or similar order or an order that denied the issuer access to any exemption under securities legislation; or, within one year of that person ceasing to act in the capacity as a director of executive officer of the issuer, declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Gary 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* while it underwent restructuring and undertook a sale and investment solicitation process which sale and investment solicitation process was completed on July 27, 2012. Recognition of the *Companies' Creditors Arrangement Act* 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.

Penalties or Sanctions

No current Director or officer of the Corporation or Shareholder who holds a sufficient number of Common Shares to materially affect control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into any settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Individual Bankruptcies

No current Director or officer of the Corporation is, or has, within the ten years preceding the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Board Information

The information which management provides to the Board is critical. The Board must have confidence in the data gathering, analysis and reporting functions of management. The Directors believe that they are provided with all necessary information and with a sufficient amount of information to facilitate effective decision making. The Board continually monitors the nature of the information requested by and provided to it in order to enable it to determine whether it can be more effective in identifying problems and opportunities for the Corporation and its Subsidiaries.

Committees of the Corporation

As at December 31, 2017 there were nine Directors, Gary Filmon, Duncan D. Jessiman, Edward Warkentin, Serena Kraayeveld, Gary Buckley, Donald Streuber, Michael Pyle, Brad Bennett and Allan Davis. Gary Filmon serves as Chairman of the Board. The Corporation has six committees, an audit committee (the "**Audit Committee**"), a compensation committee (the "**Compensation Committee**"), a governance committee (the "**Governance Committee**"), an aerospace & aviation sector advisory committee (the "**Aerospace & Aviation Sector Advisory Committee**"), a manufacturing sector advisory committee (the "**Manufacturing Sector Advisory Committee**") and a disclosure and competition committee (the "**Disclosure and Competition Committee**").

To assist the Corporation and its committees in discharging their responsibilities, the committees have the ability to engage persons with special expertise, at the expense of the Corporation. In addition, individual Directors have the ability to engage persons with special expertise, at the expense of the Corporation with the prior approval of a majority of the unrelated Directors.

Audit Committee

Audit Committee Charter

The Corporation has adopted a charter for the Audit Committee which sets out the composition of the Audit Committee as well as its responsibilities, duties, principles and procedures. The text of the charter of the Audit Committee is set out as Schedule "A" to this annual information form.

Responsibilities and Duties

The responsibilities and duties of the Audit Committee include the following:

(a) assist the Board in the discharge of their fiduciary responsibilities relating to the Corporation's accounting policies, reporting practices and internal controls, as well as to its risk management policies and practices, both financial and operational;

(b) maintain direct lines of communication with the Chief Financial Officer and with the external auditor;

(c) monitor the scope and costs of the activity of the external auditor, and assess its performance;

(d) formally consider the continuation of or a change in the external auditor and review all issues related to a change of external auditor, including any differences between the Corporation and the external auditor that relate to the external auditor's opinion or a qualification thereof or an external auditor comment;

(e) recommend to the Board an external auditor firm for approval by the Shareholders; review and approve the terms of its engagement; review and approve the fee, scope and timing of the audit, and be apprised of and approve in advance any audit related services and any non-audit services (which are not prohibited non-audit services) to be provided by the external auditor and the costs thereof and consider any impact of the provision of such services on the maintenance of its independence and review and the Corporation's hiring policies regarding present and former employees of the external auditor;

(f) review and recommend approval by the Board of the audited annual financial statements, management discussion and analysis and strategic overview of the Corporation;

(g) review before publication the Corporation's unaudited quarterly financial statements, reports of quarterly earnings, and management discussion and analysis with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks, changes in accounting principles and estimates of reserves, all significant variances between comparative reporting periods and approve the publication of the Corporation's unaudited quarterly financial statements and reports of quarterly earnings;

(h) review all financial information included in annual information forms, press releases, prospectuses, other offering memoranda or other documents requiring approval by the Board;

(i) review the Statement of Management's Responsibility for the Financial Statements as signed by senior management and included in any published document and review and approve the Statement regarding the role of the Audit Committee as signed by the Chairperson of the Audit Committee and included in any published documents;

(j) review any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and monitor disclosure thereof in documents reviewed by the Audit Committee;

(k) review the appropriateness and quality of the accounting policies used in the preparation of the Corporation's financial statements, and consider any proposed changes to such policies;

(l) review with the external auditor the contents of the annual audit report and review any significant recommendations made by the external auditor to strengthen the internal controls of the Corporation;

(m) review the results of the external audit, any significant problems encountered in performing the audit and the contents of any management letter issued by the external auditor to the Corporation, and management's response thereto;

(n) annually review a report on the audit function with respect to the terms of reference, organization, staffing, independence, performance and effectiveness of the audit services, receive and approve the annual audit plan and obtain assurances in respect of conformity with Chartered Professional Accountants of Canada (CPA) professional standards and the regulatory standards of other applicable bodies;

(o) oversee management's responsibility for designing, installing and maintaining an effective control environment; approve in advance any internal control-related services performed by the external auditor; and receive regular reports on the Corporation's internal control policies and procedures, with particular emphasis on accounting and financial controls, and recommend changes where appropriate;

(p) review any unresolved significant issues between management and the external auditor that could affect the financial reporting or internal controls of the Corporation;

(q) review and make recommendations to the Board concerning the following:

    (i) the Corporation's policies regarding hedging, investments, credit and risk management; and

    (ii) the Corporation's risk identification, analysis and management procedures;

(r) review, prior to each annual Shareholders' meeting, the policies and practices concerning the regular examination of officers expenses and perquisites, including the use of Corporation assets; and

(s) report annually to the full Board, on the state of completion of the annual agenda items of the Audit Committee, with appropriate recommendations.

Composition

The Audit Committee is comprised of Donald Streuber, Gary Buckley, Allan Davis and Serena Kraayeveld, each of whom is independent and financially literate within the meaning of NI 52-110.

Relevant Education and Experience

The Audit Committee is responsible for supervising the quality and integrity of the Corporation's financial reporting. In addition, the Board has determined that there must be at least one Audit Committee member who has the attributes of an Audit Committee financial expert, which has been determined to be Mr. Streuber. The Board's determination does not impose greater duties, obligations or liabilities on Mr. Streuber nor does it affect the duties, obligations or liabilities of other members of the Audit Committee or the Board.

Donald Streuber, FCPA, FCA, Chair of the Audit Committee, is an audit committee financial expert and a Chartered Professional Accountant and is a member of the Chartered Professional Accountants of Manitoba who first received his Chartered Accountant Designation in 1985 and in 2012 received a fellowship designation (FCA) from the Institute of Chartered Accountants of Manitoba. See "Directors and Officers – Directors and Officers – Donald Streuber, FCPA, FCA – Director" for additional information regarding Mr. Streuber's qualifications to serve on the Audit Committee.

Mr. Buckley holds a Bachelor of Commerce degree from the University of Alberta and has many years of experience in the hotel industry which qualifies him to serve on the Audit Committee. See "Directors and Officers – Directors and Officers – Gary Buckley – Director" for additional information regarding Mr. Buckley's qualifications to serve on the Audit Committee.

Mr. Davis, CPA, is an audit committee financial expert and 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. See "Directors and Officers – Directors and Officers – Allan Davis – Director" for additional information regarding Mr. Davis' qualifications to serve on the Audit Committee.

Ms. Kraayeveld, FCPA, FCA, is an audit committee financial expert and holds a Bachelor of Commerce (Honours) degree from the University of Manitoba, and is a Chartered Professional Accountant 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, and completed the Directors Education Program offered by the Institute of Corporate Directors and received the ICD.D designation. Prior to retirement, Ms. Kraayeveld had many years of experience in public practice as a Partner in charge of the Winnipeg tax practice providing tax and business advisory services to clients with PricewaterhouseCoopers LLP and prior to that as a Managing Partner with Coopers & Lybrand. See "Directors and Officers – Directors and Officers – Serena Kraayeveld, FCPA, FCA, ICD.D – Director" for additional information regarding Ms. Kraayeveld's qualifications to serve on the Audit Committee.

In carrying out their responsibilities, the Audit Committee meets without management present with the Corporation's auditor, the Chief Financial Officer of the Corporation and alone, when appropriate.

Reliance on Certain Exemptions

At no time in the year ended December 31, 2017, has the Corporation relied on any of the exemptions set forth in Section 2.4, Section 3.2, Section 3.3(2), Section 3.4, Section 3.5, Section 3.6 or Section 3.8 of NI 52-110. The Corporation has also not relied on any exemptions from NI 52-110 granted under Part 8 of NI 52-110.

Audit Committee Oversight

At no time in the year ended December 31, 2017 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee must approve all non-audit services to be performed by the external auditor of the Corporation, subject to the provisions set forth in the charter of the Audit Committee attached hereto as Schedule "A".

External Auditor Service Fees

For the years ended December 31, 2017 and December 31, 2016, the auditors of the Corporation and its affiliates have billed the following fees to the Corporation:

PricewaterhouseCoopers LLP Fees Billed	Fiscal 2017 ($000's)	Fiscal 2016 ($000's)
Audit Fees	$958	$729
Audit Related Fees	$88	$246
Tax Fees	-	-
All Other Fees	$200	$5

The audit fees paid pertain to assurance related services for the Corporation's annual audit and quarterly reviews for these periods. The audit related fees paid pertain to the assurance services associated with the Corporation's securities offerings and accounting and advisory assistance throughout these periods. Other fees were paid for translation services of continuous disclosure documents and offering documents as well as advisory services.

Compensation Committee

The purpose of the Compensation Committee is to assist the Board in fulfilling its responsibilities in relation to fixing the compensation of members of the Board, the Chief Executive Officer and the officers that report directly to the Chief Executive Officer and overseeing the plans for:

(a) compensation, development and retention of employees;

(b) succession planning for the Chief Executive Officer and the officers that report directly to the Chief Executive Officer and other senior executives; and

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

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 Corporation has adopted a charter for the Governance Committee which sets out the composition of the Governance Committee as well as its responsibilities, duties, principles and procedures. The Governance Committee's key charter responsibilities include:

(a) development of, and compliance with, corporate governance policies and procedures;

(b) recommending candidates for election to the Board and its committees;

(c) 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

(d) 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 performs the duties as set out in its charter, as well as such other duties as may be appropriate under governing law and stock exchange rules, or as may be delegated to the Governance Committee by the Directors from time to time.

The members of the Governance Committee are Serena Kraayeveld, Gary Filmon, and Donald Streuber, and all are Independent Directors.

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 Subsidiaries in the aerospace and aviation sectors.

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

The members of the Aerospace & Aviation Sector Advisory Committee are Duncan D. Jessiman, Brad Bennett, Serena Kraayeveld, Michael Pyle, Donald Streuber and Polly Craik. Polly Craik is a non-Director member of the Aerospace & Aviation Sector Advisory Committee.

Manufacturing Sector Advisory Committee

The purpose of the Manufacturing Sector Advisory Committee is to act as a board of advisors to the Operating Subsidiaries in the manufacturing sector.

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

The members of the Manufacturing Sector Advisory Committee are Edward Warkentin, Brad Bennett, Gary Buckley, Allan Davis, Gary Filmon, Duncan D. Jessiman, Michael Pyle, Ray Moher and William (Bill) Baines. Ray Moher and William (Bill) Baines are non-Director members of the Manufacturing Sector Advisory Committee.

Disclosure and Competition Committee

The Corporation has adopted a disclosure and competition policy (for the purposes of this section, the "**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 Corporation has adopted a charter for the Disclosure and Competition Committee which sets out the composition of the Disclosure and Competition Committee as well as its responsibilities, duties, principles and procedures.

The members of the Disclosure and Competition Committee are Duncan D. Jessiman, Michael Pyle and Adam Terwin. Adam Terwin is a non-Director member of the Disclosure and Competition Committee.

PROMOTERS

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Corporation or of a Subsidiary, as applicable.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of the Corporation is not aware of any material legal proceedings or regulatory actions to which the Corporation or its Subsidiaries is a party or of which any of their respective property is subject and, to the knowledge of management of the Corporation, no such proceedings are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The following transactions were carried out by the Corporation with related parties of the Corporation including Directors and executive officers, persons that beneficially own, control or direct, directly or indirectly, more than 10% of any class or series of securities of the Corporation or any associates or affiliates of such persons.

Property Leases

Various entities lease several buildings from related parties who were vendors of the entity that the Corporation purchased the business 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 recognized in the consolidated financial statements at the exchange amounts. The total costs incurred in 2017 under these leases was \$3,702,000 (2016 – \$3,352,000, 2015 – \$3,055,000) and the lease term maturities range from 2018 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 (2016 – nil, 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 Corporation, directly or indirectly, including any Director (whether executive or otherwise).

Compensation awarded to key management for the 2017 financial year, and the comparative 2016 and 2015 financial years, is as follows:

($000's)	Fiscal 2017	Fiscal 2016	Fiscal 2015
Salaries and short-term benefits	$5,601	$5,118	$5,865
Share-based payments	$3,071	$2,447	$1,902
Total Compensation	$8,672	$7,565	$7,767

Co-investments with CRJ Capital Corp.

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

During 2017, CRJ Capital Corp. invested USD$7,913,000 in co-investments with the Corporation, generating returns paid or payable to CRJ Capital Corp. of USD$3,520,000. As a result of the sale of certain of these assets and the return of the initial investment to CRJ Capital Corp., its remaining investment at December 31, 2017 was USD$5,068,000. At December 31, 2017, USD$1,421,000 is recorded as accounts receivable by the Corporation from CRJ Capital Corp.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Professional Accountants, Winnipeg, Manitoba.

The registrar and transfer agent for the Common Shares is AST Trust Company (Canada) at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

The following is a summary of the material contracts of the Corporation, other than contracts entered into in the ordinary course of business.

(a) the Trust Indentures;

(b) the Deferred Share Plan;

(c) the ESPP;

(d) the DRIP;

(e) the Rights Plan Agreement; and

(f) the seventh amended and restated loan agreement dated March 3, 2017 between the Corporation, certain of its Subsidiaries and various lenders, providing for the Credit Facility.

Copies of these material contracts are available for inspection at the registered office of the Corporation at 1067 Sherwin Road, Winnipeg, MB, R3H 0T8 upon reasonable notice and on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, the auditors of the Corporation, has advised the Corporation that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Manitoba.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the securities of the Corporation and securities authorized for issuance under compensation plans is contained in the management information circular of the Corporation dated April 4, 2017. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the financial year ended December 31, 2017.

GLOSSARY

Capitalized terms used in this annual information form have the meanings ascribed to them below.

"Aerospace & Aviation Sector Advisory Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"ASME" means the American Society of Mechanical Engineers;

"Audit Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"Bearskin Airlines" means the Bearskin Airlines division of Perimeter LP as it exists following the Bearskin Merger;

"Bearskin LP" means Bearskin Lake Air Service LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly–owned Subsidiary of the Corporation until December 31, 2017. On December 31, 2017, Bearskin LP transferred all of its assets to Perimeter LP pursuant to the Bearskin Merger;

"Bearskin Merger" means the transfer of all of the assets of Bearskin LP to Perimeter LP on December 31, 2017, following which Bearskin LP was wound up and its operations were continued under the "Bearskin Airlines" name as a division of Perimeter LP;

"Ben Machine" means Ben Machine Products Company Incorporated, a wholly-owned Subsidiary of the Corporation;

"BNY Trust" means BNY Trust Company of Canada in its capacity as indenture trustee for the Subordinated Debentures – September 2012, the Subordinated Debentures – March 2013, the Subordinated Debentures – February 2014, the Subordinated Debentures – June 2016 and the Subordinated Debentures – December 2017;

"Board" means the board of Directors of the Corporation;

"Calm Air LP" means Calm Air International LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly-owned Subsidiary of the Corporation;

"CarteNav" means CarteNav Solutions Inc., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of Provincial Aerospace;

"Cascade" means Cascade Water Recycle Systems;

"CBCA" means the *Canada Business Corporations Act*;

"Common Shares" means the common shares of the Corporation, and includes a fraction thereof;

"Compensation Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"Corporation" means Exchange Income Corporation and includes, where the context requires, predecessors to the Corporation;

"Credit Facility" means the credit facilities, which are revolving term facilities in the maximum principal amounts of $695,000,000 (which may be denominated in either Canadian or US funds) and USD$55,000,000, respectively, provided to the Corporation by a syndicate of lenders pursuant to a seventh amended and restated loan agreement dated March 3, 2017, between the Corporation, certain of its Subsidiaries and various lenders;

"Custom Helicopters" means Custom Helicopters Ltd., a wholly-owned Subsidiary of the Corporation;

"Debentureholder" means a holder of Subordinated Debentures – September 2012, Subordinated Debentures – March 2013, Subordinated Debentures – February 2014, Subordinated Debentures – June 2016 or Subordinated Debentures – December 2017, as the context requires;

"Debentures" means, collectively, the Subordinated Debentures – September 2012, Subordinated Debentures – March 2013, Subordinated Debentures – February 2014, Subordinated Debentures – June 2016 and Subordinated Debentures – December 2017;

"DECA Aviation" means DECA Aviation Engineering Ltd., a wholly-owned Subsidiary of PAL Aerospace;

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

"Deferred Shares" means the deferred shares of the Corporation which may be granted pursuant to, and have the rights set forth in, the Deferred Share Plan;

"Directors" means the directors of the Corporation;

"Disclosure and Competition Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"DRIP" means the dividend reinvestment and cash purchase plan of the Corporation dated August 26, 2009;

"EIIF US" means EIIF Management USA, Inc., a corporation incorporated under the laws of Delaware and a wholly-owned Subsidiary of the Corporation;

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

"FAA" means the Federal Aviation Administration of the United States;

"FWSAR" means fixed wing search and rescue;

"Governance Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"IFRS" means International Financial Reporting Standards;

"Indenture Trustee" means BNY Trust, as indenture trustee under the Trust Indentures;

"Independent Directors" means those Directors who are independent of management of the Corporation and are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from security holdings;

"ISO" means the International Organization for Standardization;

"Keewatin LP" means Keewatin Air LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly-owned Subsidiary of the Corporation;

"Legal Canadian" means a Canadian citizen or a permanent resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada), 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 75%, or such lesser percentage as the Governor in Council may by regulation specify, of the voting interests are owned and controlled by Canadians;

"Manufacturing Sector Advisory Committee" has the meaning ascribed thereto under "Directors and Officers – Committees of the Corporation";

"NCIB" means normal course issuer bid under NI 62-104;

"NI 52-110" means National Instrument 52-110 *Audit Committees;*

"NI 62-104" means National Instrument 62-104 *Take-over Bids and Issuer Bids;*

"Non-Canadian" means a person who is not a Legal Canadian;

"Nunavut Lifeline" means Nunavut Lifeline, a business name used by Keewatin LP in carrying on its business;

"OEM" means an original equipment manufacturer;

"Old Quest Windows" means QWS Investments Inc., which was formerly named Quest Window Systems Inc. prior to its sale of all of its assets to Quest Windows;

"Operating Subsidiaries" means the material Subsidiaries of the Corporation which carry on operating businesses, including the general partners of limited partnerships that carry on operating businesses (being all of the Subsidiaries of the Corporation other than EIIF US, 8900973 Canada Ltd. and EIC Luxembourg Sarl);

"Overlanders LP" means OM LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly-owned Subsidiary of the Corporation;

"PAL Aerospace" means PAL Aerospace Ltd., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of Provincial Aerospace;

"PAL Airlines" means PAL Airlines Ltd., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of Provincial Aerospace;

"PAL Aviation Services" means PAL Aviation Services Ltd., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of Provincial Aerospace;

"Perimeter LP" means Perimeter Aviation LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly-owned Subsidiary of the Corporation;

"Provincial Aerospace" means Provincial Aerospace Ltd., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of the Corporation, and includes references to its wholly-owned Subsidiaries, as applicable;

"Quest Windows" means Quest Window Systems Inc., a corporation existing under the laws of Canada and a wholly-owned Subsidiary of the Corporation;

"Reference Instruments" has the meaning set forth under "Constraints on Ownership";

"Regional One" means Regional One, Inc., a corporation incorporated under the laws of the State of Florida and a wholly-owned Subsidiary of EIIF US;

"Rights Plan" means the shareholder rights plan of the Corporation governed by the Rights Plan Agreement which became effective on May 13, 2011;

"Rights Plan Agreement" means the second amended and restated shareholder rights plan agreement dated as of May 10, 2017 between the Corporation and AST Trust Company (Canada), as rights agent;

"Sakku" means Sakku Investments Corporation;

“7328010 Canada” means 7328010 Canada Ltd., a corporation incorporated under the laws of Canada and a wholly-owned Subsidiary of the Corporation;

“Shareholder” means a holder of Common Shares**;**

“Stainless” means Stainless Fabrication, Inc., a corporation incorporated pursuant to the laws of the State of Missouri and a wholly-owned Subsidiary of EIIF US;

“Subordinated Debentures – December 2017” means the 5 Year 5.25% Convertible Unsecured Subordinated Debentures of the Corporation issued by the Corporation in December 2017 governed by the Subordinated Trust Indenture – December 2017;

“Subordinated Debentures – February 2014” means the 7 Year 6.00% Convertible Unsecured Subordinated Debentures of the Corporation issued by the Corporation in February 2014 governed by the Subordinated Trust Indenture – February 2014;

“Subordinated Debentures – June 2016” means the 7 Year 5.25% Convertible Unsecured Subordinated Debentures of the Corporation issued by the Corporation in June 2016 governed by the Subordinated Trust Indenture – June 2016;

“Subordinated Debentures – March 2013” means the 7 Year 5.35% Convertible Unsecured Subordinated Debentures of the Corporation issued by the Corporation in March 2013 governed by the Subordinated Trust Indenture – March 2013;

“Subordinated Debentures – September 2012” means the 7 Year 5.50% Convertible Unsecured Subordinated Debentures of the Corporation issued by the Corporation in September 2012 governed by the Subordinated Trust Indenture – September 2012, the remaining outstanding principal amount of which was redeemed by the Corporation on January 11, 2018;

“Subordinated Trust Indenture – December 2017” means the trust indenture dated December 20, 2017 between the Corporation and BNY Trust providing for the issuance of the Subordinated Debentures – December 2017;

“Subordinated Trust Indenture – February 2014” means the trust indenture dated February 11, 2014 between the Corporation and BNY Trust providing for the issuance of the Subordinated Debentures – February 2014;

“Subordinated Trust Indenture – June 2016” means the trust indenture dated June 7, 2016 between the Corporation and BNY Trust providing for the issuance of the Subordinated Debentures – June 2016;

“Subordinated Trust Indenture – March 2013” means the trust indenture dated March 25, 2013 between the Corporation and BNY Trust providing for the issuance of the Subordinated Debentures – March 2013, as amended on July 25, 2013;

“Subordinated Trust Indenture – September 2012” means the trust indenture dated September 19, 2012 between the Corporation and BNY Trust providing for the issuance of the Subordinated Debentures – September 2012, as amended on July 25, 2013;

“Subsidiary” means, with respect to a specified entity, any entity: (i) of which more than 50% of the outstanding securities ordinarily entitled to elect a majority of the board of directors thereof (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified entity; or (ii) which is otherwise controlled, directly or indirectly, by such specified entity;

“Team J.A.S.” means Team J.A.S., Inc., a corporation existing under the laws of the State of Florida and a wholly-owned Subsidiary of EIIF US;

“Trust Indentures” means collectively the Subordinated Trust Indenture – September 2012, the Subordinated Trust Indenture – March 2013, the Subordinated Trust Indenture – February 2014, the Subordinated Trust Indenture – June 2016 and the Subordinated Trust Indenture – December 2017;

“TSX” means the Toronto Stock Exchange;

"UAE" means the United Arab Emirates;

"WBM" means the operations of Water Blast Manufacturing which consists of WBM LP and WBM NoDAK;

"WBM LP" means Water Blast Manufacturing LP, a limited partnership formed under the laws of the Province of Manitoba and a wholly-owned Subsidiary of the Corporation;

"WBM NoDAK" means Dallas Sailer Enterprises, Inc., a company incorporated under the laws of North Dakota and a wholly-owned Subsidiary of EIIF US; and

"WesTower" means WesTower Communications Ltd., a corporation incorporated under the laws of Canada and a wholly-owned Subsidiary of the Corporation.

FORWARD-LOOKING STATEMENTS

This annual information form and the documents incorporated by reference herein contain forward–looking statements. All statements other than statements of historical fact contained in this annual information form and the documents incorporated by reference herein are forward–looking statements, including, without limitation, statements regarding future financial position, business strategy, completed and potential acquisitions and the potential impact of such completed and/or potential acquisitions on the operations, financial condition, capital resources and business of the Corporation and/or its Subsidiaries, the Corporation's policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its Subsidiaries or any businesses to potentially be acquired by the Corporation. Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward–looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward–looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements and developments of the Corporation and/or its Subsidiaries to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward–looking statements. Such factors include, but are not limited to: economic and geopolitical conditions; competition; government funding for First Nations health care; access to capital; market trends and innovation; general uninsured loss; climate; acts of terrorism; pandemic; level and timing of defence spending; government-funded defence and security programs; significant contracts and customers; operational performance and growth; laws, regulations and standards; acquisition risk; concentration and diversification risk; maintenance costs; access to parts and relationships with key suppliers; casualty losses; environmental liability risks; dependence on information systems and technology; international operations risks; fluctuations in sales prices of aviation related assets; fluctuations in purchase prices of aviation related acquisitions price volatility; warranty risk; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; Credit Facility and the Trust Indentures; dividends; unpredictability and volatility of share prices; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest.

The information contained or incorporated by reference in this annual information form identifies additional factors that could affect the operating results and performance of the Corporation and its Subsidiaries. Assumptions about the performance of the businesses of the Corporation and its Subsidiaries are considered in setting the business plan for the Corporation and its Subsidiaries and in setting financial targets. Key assumptions include that the demand for products and services of the businesses of the Corporation and its Subsidiaries will remain stable and that the Canadian and other markets in which the businesses are active will remain stable. **Should one or more of** the risks materialize or the assumptions prove incorrect, actual results, performance or achievements of the Corporation and its Subsidiaries may vary materially from those described in forward–looking statements.

The forward–looking statements contained herein or contained in a document incorporated by reference herein are expressly qualified in their entirety by this cautionary statement. The forward–looking statements included or incorporated by reference in this annual information form are made as of the date of this annual information form or such other date specified in such statement. Except as required by law, the Corporation disclaims any obligation to update any forward-looking information, estimates or opinions, future events or results or otherwise.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

The Audit Committee (the "Committee") of the board of directors (the "Board") of Exchange Income Corporation (the "Company") will carry out the procedures, responsibilities and duties set out below, with an aim of maintaining financial controls in strict adherence to applicable regulatory standards.

RESPONSIBILITIES AND DUTIES

1. The duties and responsibilities of the Committee shall include the following:

(i) assist the Board in the discharge of their fiduciary responsibilities relating to the Company's accounting policies, reporting practices and internal controls, as well as to its risk management policies and practices, both financial and operational;

(ii) maintain direct lines of communications with the Chief Financial Officer and with the external auditor;

(iii) monitor the scope and costs of the activity of the external auditor, and assess their performance;

(iv) formally consider the continuation of or a change in the external auditor and review all issues related to a change of external auditor, including any differences between the Company and the auditor that relate to the auditor's opinion or a qualification thereof or an auditor comment;

(v) recommend to the Board a firm of external auditors for approval by the Shareholders of the Company; review and approve the terms of their engagement; review and approve the fee, scope and timing of the audit, and be apprised of and approve in advance any audit related services and any non-audit services (which are not prohibited non-audit services) to be provided by the external auditors and the costs thereof and consider any impact of the provision of such services on the maintenance of their independence and review and the Company's hiring policies regarding present and former employees of the external auditor;

(vi) review and recommend approval by the Board of the audited annual financial statements, management discussion and analysis and strategic overview of the Company;

(vii) review before publication the Company's unaudited quarterly financial statements, reports of quarterly earnings, and management discussion and analysis with particular attention to the presentation of unusual or sensitive matters such as disclosure of related party transactions, significant non-recurring events, significant risks, changes in accounting principles and estimates of reserves, all significant variances between comparative reporting periods and approve the publication of the Company's unaudited quarterly financial statements and reports of quarterly earnings;

(viii) review all financial information included in annual information forms, press releases, prospectuses, other offering memoranda or other documents requiring approval by the Board;

(ix) review the Statement of Management's Responsibility for the Financial Statements as signed by senior management and included in any published document and review and approve the Statement regarding the role of the Committee as signed by the Chairperson of the Committee and included in any published documents;

(x) review any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company and monitor disclosure thereof in documents reviewed by the Committee;

(xi) review the appropriateness and quality of the accounting policies used in the preparation of the Company's financial statements, and consider any proposed changes to such policies;

(xii) review with the external auditor the contents of the annual audit report and review any significant recommendations made by the external auditor to strengthen the internal controls of the Company;

(xiii) review the results of the external audit, any significant problems encountered in performing the audit and the contents of any Management Letter issued by the external auditor to the Company, and management's response thereto;

(xiv) annually review a report on the audit function with respect to the terms of reference, organization, staffing, independence, performance and effectiveness of the audit services, receive and approve the annual audit plan and obtain assurances in respect of conformity with CICA professional standards and the regulatory standards of other applicable bodies;

(xv) oversee management's responsibility for designing, installing and maintaining an effective control environment; approve in advance any internal control-related services performed by the external auditor; and receive regular reports on the Company's internal control policies and procedures, with particular emphasis on accounting and financial controls, and recommend changes where appropriate;

(xvi) review any unresolved significant issues between management and the external auditor that could affect the financial reporting or internal controls of the Company;

(xvii) review and make recommendations to the Board concerning the following:

a. the Company's policies regarding hedging, investments, credit and risk management; and

b. the Company's risk identification, analysis and management procedures;

(xviii) review, prior to each annual shareholders' meeting, the policies and practices concerning the regular examination of officers expenses and prerequisites, including the use of Company assets; and

(xix) report annually to the full Board, on the state of completion of the annual agenda items of the Audit Committee, with appropriate recommendations.

ORGANIZATION AND PROCEDURES

2. The Committee shall meet regularly, not less than four times per year, and at such other times as may be requested by the Chair of the Committee. The Chief Executive Officer, the Chief Financial Officer, the Controller, the external auditor or any member of the Committee may also request a meeting of the Committee.

3. The Chair of the Committee, in consultation with the Chief Financial Officer, shall set the agenda for each meeting which shall then be circulated among the Committee members.

4. The Chief Executive Officer, the Chief Financial Officer and the Manager of Financial Reporting shall have direct access to the Committee and shall receive notice of and attend all meetings of the Committee except private sessions.

5. The external auditor shall ultimately report to the Board and the Committee and shall at any time have direct access to the Committee and shall receive notice of and be invited to attend all meetings of the Committee except private sessions.

6. The external auditor, and one or more representatives of senior management, shall each meet separately with the Committee, in private sessions, at least once annually.

7. The Committee may contact directly any employee in the Company as it deems necessary.

8. The Committee will establish procedures for:

(i) the receipt, retention and treatment of complaints regarding accounting controls or auditing matters; and

(ii) the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters and the annual review of compliance under the Company's Code of Ethics for the Chief Financial Officer of the Company.

9. The Committee will periodically review its own Charter, and make recommendations to the Board as required.

MEMBERSHIP

10. The Committee shall consist of between three and five directors, a majority of whom are independent directors. The Chair of the Board shall be an *ex-officio* member of the Committee.

11. The Board will annually appoint the members of the Committee.

12. The members of the Committee will serve at the pleasure of the Board and may be removed or replaced at any time, with or without cause, by a majority vote of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by appointment of the Board as soon as is reasonably possible following the vacancy.

MEETINGS

Timing

13. The Committee shall review and prepare a calendar detailing the dates, times and locations of Committee meetings for the following twelve calendar months (the "Scheduled Meetings").

14. In the event of any revisions to the Scheduled Meetings, or Committee meetings called in addition thereto, notice must be given orally, in writing or by facsimile to each member of the Committee at least 48 hours prior to the time fixed for such Scheduled Meeting.

15. The Chair of the Committee shall prepare an agenda for each Committee meeting and forward such agenda to the Committee at a time reasonably in advance of such meeting.

Attendance

16. The Chair of the Committee shall preside at the Committee meetings. In the absence of the Chair, an alternate may be elected by the Committee to preside at a meeting.

17. The Corporate Secretary, or a person delegated by the Corporate Secretary, will be the secretary to the Committee and will be responsible for recording the Minutes of each Committee meeting. Copies of the Minutes will be forwarded to all Committee members in a timely manner, and the originals will be organized and maintained at the Company's head office.

18. The Committee may invite to its meetings other members of the Board, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

Procedure

19. All Committee meetings shall be conducted in accordance with the Articles and the By-laws of the Company. No business of the Committee may be transacted except at a meeting of the members at which a quorum of the Committee is present (in person or by means of telephone conference) or by a resolution in writing signed by all of the Committee members. A majority of the members of the Committee constitutes a quorum.

20. The Committee shall schedule in camera meetings to take place either before or after each Committee meeting.

Authority

21. This charter gives the Committee the authority to carry out the responsibilities described in this charter, and any other responsibilities that the Committee deems necessary to fulfill its obligations and assist the Board in meeting its responsibilities and obligations in respect of matters addressed in this charter.

22. As appropriate, the Committee may retain independent advisors to help it carry out its responsibilities, including fixing such advisors' fees and retention terms, subject to advising the Board Chair.

Reports

23. The Chair of the Committee shall report to the Board regularly regarding its deliberations. The Committee shall make such recommendations to the Board as it may deem appropriate and has such decision-making authority as the Board may determine from time to time.

Miscellaneous

24. The Committee shall conduct an annual review and assessment of its performance, including a review of its compliance with this charter. In conducting its review, the Committee shall take into account all applicable legislative and regulatory requirements, and any guidelines recommended by regulators or stock exchanges with which the Company has a reporting relationship. The Committee may approve revisions to this charter, with guidance from the Chair of the Governance Committee when appropriate.

25. Nothing contained in this charter is intended to assign to the Committee the Board's responsibility to ensure the Company's compliance with applicable laws or regulations or to expand applicable standards of liability under statutory or regulatory requirements for the directors or the members of the Audit Committee.

SCHEDULE "B"

SUMMARY OF RIGHTS PLAN

Set forth below is summary of the features of the Rights Plan which is governed by the Rights Plan Agreement. The summary is qualified in its entirety by the full text of the Rights Plan, a copy of which is available from the Corporation and on SEDAR at www.sedar.com. All defined terms, where used in this summary without definition, have the meanings attributed to them in the Rights Plan Agreement.

(a) Issuance of Rights

One Right was issued by the Corporation in respect of each Common Share outstanding on May 13, 2011, and one Right 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. 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 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:

(i) "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

(ii) "Non-resident of Canada" means:

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

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

(C) a foreign government or an agency thereof;

(D) a corporation that is controlled by Non-Residents of Canada, directly or indirectly, described in (B) or (C) above;

(E) a trust: (i) established by a Non-resident of Canada described in (B) to (D) 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 (A) to (D) above have more than 50% of the beneficial interest; or

(F) a corporation that is controlled by a trust described in (E) above; and

(iii) "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.

(b) 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.

(c) 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.

(d) 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:

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

(ii) an "Exempt Acquisition" means a Share acquisition (A) in respect of which the Board of Directors has waived the application of the Rights Plan pursuant to the provisions of the Rights Plan; (B) pursuant to a dividend reinvestment plan of the Corporation; (C) 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; (D) 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 (E) 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;

(iii) 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

(iv) 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.

(e) 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 (1) 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 (2) 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.

(i) 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: (A) an investment manager ("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; (B) 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 and which holds such security in the ordinary course of its duties for such accounts; (C) the administrator or the trustee (a "Plan Trustee") of one or more pension funds or plans (a "Plan") registered under applicable law; (D) 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 (E) 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.

(ii) 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: (A) at a price or value that exceeds the price under the Lock-Up Bid; or (B) 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 (C) (1) 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 (2) 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.

(f) 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).

(g) 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:

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

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

(A) 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;

(B) 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 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;

(C) 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

(D) 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.

(h) Redemption, Waiver and Termination

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

(i) 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”).

(ii) 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 (A) 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 (B) 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.

(iii) 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.

(iv) 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.

(v) 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 (h)(ii) 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.

(vi) 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.

(i) 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:

(i) 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

(ii) 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.

(j) 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.

(k) 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.