

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of the securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or any state securities laws, and, subject to certain exemptions, may not be offered or sold to, or for the account or benefit of, a person in the United States or a U.S. Person (as defined in the 1933 Act). See “Plan of Distribution”. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities within the United States.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Exchange Income Corporation at 1067 Sherwin Road, Winnipeg, Manitoba R3H 0T8, telephone (204) 982-1857 and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

March 12, 2019



\$75,000,000

7 YEAR 5.75% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

This short form prospectus qualifies the distribution of \$75,000,000 aggregate principal amount of 7 Year 5.75% Convertible Unsecured Subordinated Debentures (“**Debentures**”) of Exchange Income Corporation (the “**Corporation**”) in denominations of \$1,000 and multiples thereof at a price of \$1,000 per Debenture (the “**Offering**”). The Debentures will bear interest at the rate of 5.75% per annum payable semi-annually in arrears, in cash, on March 31 and September 30 of each year (an “**Interest Payment Date**”) with the first payment occurring on September 30, 2019, and will have a maturity date of March 31, 2026 (the “**Maturity Date**”). The payment of the principal and accrual of interest on the Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness (as defined herein) of the Corporation. Further particulars concerning the Debentures are set out under “Description of the Debentures”.

Debenture Conversion Privilege

Each Debenture will be convertible into common shares of the Corporation (“**Common Shares**”) at the option of the holder at any time prior to the close of business (Central time) on the business day prior to the Maturity Date, or, if called for redemption, the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$49.00 per Common Share, being a conversion rate of approximately 20.4082 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events. See “Description of the Debentures - Debentureholders’ Conversion Privilege”.

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

The Corporation has applied to the Toronto Stock Exchange (the “**Exchange**”) for approval of the listing of the Debentures offered hereunder and the Common Shares issuable upon the conversion, redemption or maturity of the Debentures. Listing of the Debentures will be subject to the Corporation satisfying all of the requirements of the Exchange. The outstanding Common Shares are listed on the Exchange under the symbol “EIF”. On March 6, 2019, the date of the announcement of the Offering, the closing price of the Common Shares on the Exchange was \$33.73. On March 11, 2019, the last trading day prior to the date hereof, the closing price of the Common Shares on the Exchange was \$32.83. The terms and price of the Debentures were determined by negotiation between the Corporation and National Bank Financial Inc. (“**NBF**”), CIBC World Markets Inc. (“**CIBC**”) and Laurentian Bank Securities Inc. (“**LBS**”, and together with NBF and CIBC, the “**Lead Underwriters**”) and Raymond James Ltd. (“**Raymond James**”), RBC Dominion Securities Inc.

(“**RBC**”), Scotia Capital Inc. (“**Scotia**”), TD Securities Inc. (“**TD**”), BMO Nesbitt Burns Inc. (“**BMO**”), Canaccord Genuity Corp., Wellington-Altus Private Wealth Inc., AltaCorp Capital Inc. (“**AltaCorp**”), Cormark Securities Inc., Industrial Alliance Securities Inc. and Macquarie Capital Markets Canada Ltd. (collectively, and together with the Lead Underwriters, the “**Underwriters**”).

	<u>Price to the Public</u>	<u>Underwriters’ Fee ⁽¹⁾</u>	<u>Net Proceeds to the Corporation ⁽²⁾</u>
Per Debenture	\$1,000	\$40	\$960
Total Offering ⁽³⁾	\$75,000,000	\$3,000,000	\$72,000,000

Notes:

- (1) In consideration of the services rendered by the Underwriters in connection with the Offering, the Corporation has agreed to pay the Underwriters on the closing of the Offering an aggregate fee of 4.0% of the gross proceeds from the Offering.
- (2) After deducting the Underwriters’ fee but before deducting expenses of the Offering estimated at \$725,000, which will be paid by the Corporation.
- (3) The Corporation has granted to the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part for a period of up to 30 days following the closing date of the Offering, to purchase up to an additional \$11,250,000 principal amount of Debentures on the same terms and conditions as set out above to cover over-allocation, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ fee and net proceeds to the Corporation (prior to the deduction of the expenses of the Offering estimated at \$725,000) will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. This short form prospectus also qualifies the distribution of the Over-Allotment Option to the Underwriters and the distribution of Debentures issuable upon the exercise of the Over-Allotment Option. See “Plan of Distribution”.

A purchaser who acquires Debentures forming part of the Underwriters’ over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

<u>Underwriters’ Position</u>	<u>Maximum size or number of securities available</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Up to \$11,250,000 principal amount of Debentures (being up to 15% of the Debentures sold pursuant to the Offering)	Exercisable for a period of 30 days from the closing date of the Offering	\$1,000 per Debenture

The Corporation is a corporation incorporated under the federal laws of Canada. The net proceeds of the Offering will be used by the Corporation to fund the redemption of the Subordinated Debentures (February 2014) (as defined herein) and to repay indebtedness under the Corporation’s credit facilities. See “Use of Proceeds”.

The Underwriters, as principals, conditionally offer the Debentures subject to prior sale, if, as and when issued and delivered by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution”, and subject to the approval of certain legal matters by MLT Aikins LLP on behalf of the Corporation and Blake, Cassels & Graydon LLP on behalf of the Underwriters. In connection with the Offering, the Underwriters may engage in market stabilization activities. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may also decrease the price at which the Debentures are distributed for cash from the price disclosed in this short form prospectus. See “Plan of Distribution”.**

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Except in certain limited circumstances, including where a Debenture certificate requires the addition of a legend under the applicable securities laws of the United States, the Debentures will be issued in “book-entry only” form and must be purchased or transferred through a Participant (as defined herein). At the closing of the Offering, the Debentures will be available for delivery in book-entry only form through the facilities of CDS Clearing and Depository Services Inc. Except in certain limited circumstances as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of such securities. It is expected that the closing of the Offering will occur on or about March 26, 2019, or such other date as the Corporation and the Underwriters may agree upon, but in any event no later than April 5, 2019.

NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO and AltaCorp, certain of the Underwriters, are affiliates of financial institutions which are lenders to the Corporation and/or its subsidiaries under two credit facilities with a syndicate of lenders. The credit facilities are for maximum principal amounts of \$945 million (denominated in Canadian or U.S. funds) and US\$55 million. As at the date hereof, the principal amounts outstanding under the credit facilities are approximately \$249,100,000 and US\$377,050,000. Accordingly, the Corporation may be considered to be a “connected issuer” of NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO and AltaCorp under applicable securities laws. See “Relationship between the Corporation and Certain Underwriters”.

There are certain constraints on the ownership of Common Shares by persons who are Non-Canadians. See “Plan of Distribution - Limitation on Non-Canadian Ownership”.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.

Subject to regulatory approval, the Corporation may elect to satisfy its obligation to pay interest and to pay the principal amount owing on redemption or maturity of the Debentures by issuing Common Shares. See “Description of the Debentures - Payment on Redemption or Maturity”, “Description of the Debentures - Common Share Interest Payment Election” and “Risk Factors - Additional Risk Factors Relating to the Debentures - Non-Cash Payments and Dilutive Effects on Shareholders”.

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GLOSSARY OF DEFINED TERMS

Capitalized terms used herein have the meanings ascribed to them below.

“**1933 Act**” has the meaning set forth under “Plan of Distribution”;

“**allowable capital loss**” has the meaning set forth under “Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses”;

“**AltaCorp**” means AltaCorp Capital Inc.;

“**Articles**” has the meaning set forth under “Plan of Distribution – Limitation on Non-Canadian Ownership”;

“**Beneficial Owner**” means a purchaser of a beneficial interest in Debentures issued in “book-entry only” form;

“**BMO**” means BMO Nesbitt Burns Inc.;

“**CANLink**” means CANLink Aviation Inc., a wholly-owned indirect Subsidiary of the Corporation, which operates the Moncton Flight College;

“**Cash Change of Control**” has the meaning set forth under “Description of the Debentures - Cash Change of Control”;

“**CDS**” means CDS Clearing and Depository Services Inc. and its successors;

“**Change of Control**” has the meaning set forth under “Description of the Debentures - Offer Upon Change of Control”;

“**Change of Control Conversion Price**” has the meaning set forth under “Description of the Debentures - Cash Change of Control”;

“**Change of Control Date**” has the meaning set forth under “Description of the Debentures - Cash Change of Control”;

“**Change of Control Offer**” has the meaning set forth under “Description of the Debentures - Offer Upon Change of Control”;

“**CIBC**” means CIBC World Markets Inc.;

“**Closing Date**” means the closing date of the Offering;

“**Common Share Interest Payment Election**” has the meaning set forth under “Description of the Debentures - Common Share Interest Payment Election”;

“**Common Shares**” means the common shares of the Corporation, and includes a fraction thereof;

“**Conversion Price**” means the price at which a Debentureholder may, at the Debentureholder’s option, convert the Debentures into fully paid Common Shares at any time prior to the close of business (Central time) on the Maturity Date or, if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of Debentures, being a price of \$49.00 per Common Share, subject to adjustment upon the occurrence of certain events;

“**Conversion Rate**” means the conversion rate of approximately 20.4082 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment as provided in the Trust Indenture;

“Corporation” means Exchange Income Corporation and its successors, as applicable;

“Corporation’s 2017 AIF” means the annual information form of the Corporation dated March 29, 2018, for the year ended December 31, 2017;

“Counsel” has the meaning set forth under “Canadian Federal Income Tax Considerations”;

“CRA” means the Canada Revenue Agency;

“Credit Facility” means the credit facilities, which are revolving term facilities in the maximum principal amounts of \$945,000,000 (which may be denominated in either Canadian or U.S. funds) and US\$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, as further amended on May 7, 2018 and February 1, 2019, between the Corporation, certain of its Subsidiaries and various lenders;

“Current Market Price” means, with respect to the Corporation at any date, the price per Common Share equal to the Weighted Average Price at which the Common Shares have traded on the Exchange, or such other recognized stock exchange upon which the Common Shares are listed from time to time, during a period of 20 consecutive trading days, ending on the fifth trading day preceding such date;

“Debentureholder” means a holder of Debentures;

“Debentures” means the 7 year 5.75% Convertible Unsecured Subordinated Debentures of the Corporation offered hereunder;

“Definitive Debentures” has the meaning set forth under “Description of the Debentures - Book Entry, Delivery and Form”;

“Directors” means the directors of the Corporation;

“Event of Default” has the meaning set forth under “Description of the Debentures - Events of Default”;

“Exchange” means the Toronto Stock Exchange;

“Global Debentures” has the meaning set forth under “Description of the Debentures - Book Entry, Delivery and Form”;

“IFRS” means International Financial Reporting Standards;

“Indenture Trustee” means BNY Trust Company of Canada;

“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;

“Ineligible Consideration” has the meaning set forth under “Description of the Debentures - Debentureholders’ Conversion Privilege”;

“Interest Payment Date” means, in respect of the Debentures, March 31 and September 30 in each year while the Debentures are outstanding, commencing on September 30, 2019;

“LBS” means Laurentian Bank Securities Inc.;

“Lead Underwriters” means NBF, CIBC and LBS;

“Legal Canadian” means a Canadian within the meaning of section 73 of the *Canada Business Corporations Regulations, 2001* promulgated under the *Canada Business Corporations Act*, as amended from time to time;

“Maturity Date” means the maturity date of the Debentures, being March 31, 2026;

“NBF” means National Bank Financial Inc.;

“Non-Canadian” means a person who is not a Legal Canadian;

“Offer Price” has the meaning set forth under “Description of the Debentures - Offer Upon Change of Control”;

“Offering” means the offering of \$75,000,000 aggregate principal amount of Debentures pursuant to this short form prospectus, plus any Debentures offered pursuant to the exercise of the Over-Allotment Option;

“Offering Price” means \$1,000 per Debenture;

“Operating Subsidiaries” means the Subsidiaries of the Corporation which carry on operating businesses;

“Over-Allotment Option” means the option granted by the Corporation to the Underwriters to acquire up to an additional \$11,250,000 principal amount of Debentures, exercisable in whole or in part at any time up to the date that is 30 days from the Closing Date, for the purposes of covering over-allocations, if any, and for market stabilization purposes;

“Participant” means a participant in the depository service of CDS;

“Plans” means trusts governed by registered retirement savings plans, deferred profit sharing plans, registered education savings plans, registered retirement income funds, tax-free savings accounts and registered disability savings plans, and a **“Plan”** means any of them;

“Proposed Amendments” has the meaning set forth under “Canadian Federal Income Tax Considerations”;

“Raymond James” means Raymond James Ltd.;

“RBC” means RBC Dominion Securities Inc.;

“RDSP” has the meaning set forth under “Eligibility for Investment”;

“Reference Property” has the meaning set forth under “Description of the Debentures - Debentureholders’ Conversion Privilege”;

“RESP” has the meaning set forth under “Eligibility for Investment”;

“RRIF” has the meaning set forth under “Eligibility for Investment”;

“RRSP” has the meaning set forth under “Eligibility for Investment”;

“Scotia” means Scotia Capital Inc.;

“Securities” has the meaning set forth under “Canadian Federal Income Tax Considerations”;

“SEDAR” has the meaning set forth under “Documents Incorporated by Reference”;

“Senior Indebtedness” means all indebtedness of the Corporation (whether outstanding on the date of the Trust Indenture or thereafter incurred) which by the terms of the instrument creating or evidencing such indebtedness is not expressed to

be *pari passu* or subordinate in right of payment to the Debentures. For greater certainty, “Senior Indebtedness” includes: (i) claims by trade creditors of the Corporation; and (ii) the Credit Facility;

“**Share Redemption Right**” has the meaning set forth under “Description of the Debentures - Restriction on Share Redemption”;

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

“**Subordinated Debentures (December 2017)**” means the 5 Year 5.25% Convertible Unsecured Subordinated Debentures of the Corporation due December 31, 2022, 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 due March 31, 2021, 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 due June 30, 2023, governed by the Subordinated Trust Indenture (June 2016);

“**Subordinated Debentures (June 2018)**” means the 7 Year 5.35% Convertible Unsecured Subordinated Debentures of the Corporation due June 30, 2025, governed by the Subordinated Trust Indenture (June 2018);

“**Subordinated Trust Indenture (December 2017)**” means the trust indenture dated December 20, 2017 between the Corporation and the Indenture Trustee 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 the Indenture Trustee 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 the Indenture Trustee providing for the issuance of the Subordinated Debentures (June 2016);

“**Subordinated Trust Indenture (June 2018)**” means the trust indenture dated June 26, 2018 between the Corporation and the Indenture Trustee providing for the issuance of the Subordinated Debentures (June 2018);

“**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, and “**Subsidiaries**” means more than one Subsidiary;

“**Tax Act**” means the *Income Tax Act* (Canada), and the regulations thereto, as amended from time to time;

“**taxable capital gain**” has the meaning set forth under “Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses”;

“**TD**” means TD Securities Inc.;

“**TFSA**” has the meaning set forth under “Eligibility for Investment”;

“**Trust Indenture**” means the trust indenture to be entered into between the Corporation and the Indenture Trustee pursuant to which the Debentures will be created and issued and which shall set forth the terms and conditions relating to the Debentures;

“**U.S. Person**” has the meaning ascribed thereto under the 1933 Act;

“**Underwriters**” means, collectively, NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO, Canaccord Genuity Corp., Wellington-Altus Private Wealth Inc., AltaCorp, Cormark Securities Inc., Industrial Alliance Securities Inc. and

Macquarie Capital Markets Canada Ltd.;

“Underwriting Agreement” means the underwriting agreement dated March 12, 2019 between the Corporation and the Underwriters;

“United States” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

“Wasaya Group” means, collectively, Wasaya Airways Limited Partnership, Wasaya Petroleum Limited Partnership and Wasaya Group Inc.; and

“Weighted Average Price” means with respect to the Common Shares, for any period, the amount obtained by dividing the aggregate sale price of all Common Shares sold on the Exchange by the total number of Common Shares so sold.

All references in this short form prospectus to \$ or to dollars shall refer to the lawful currency of Canada, unless otherwise specified.

ABOUT THIS PROSPECTUS

The Corporation is a corporation governed by the federal laws of Canada. The head office of the Corporation is located at 1067 Sherwin Road in Winnipeg, Manitoba. Unless stated otherwise or the context otherwise requires, references in this short form prospectus to “Corporation”, “we”, “us” or “our” means the Corporation and each of its Subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporation, 1067 Sherwin Road, Winnipeg, Manitoba R3H 0T8, telephone (204) 982-1857, and are also available electronically through the internet on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

Except to the extent that their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus, the following documents of the Corporation that have been filed with applicable securities regulatory authorities in Canada are specifically incorporated by reference herein and form an integral part of this short form prospectus:

- (a) the Corporation’s 2017 AIF;
- (b) the audited consolidated financial statements of the Corporation as at and for the years ended December 31, 2018 and December 31, 2017, and the independent auditor’s report thereon;
- (c) the management’s discussion and analysis of the Corporation’s operating results and financial position for the year ended December 31, 2018;
- (d) the material change report dated March 5, 2018 in respect of the Corporation’s acquisition of CANLink through a wholly-owned Subsidiary of the Corporation;
- (e) the material change report dated June 8, 2018 in respect of the Corporation’s offering of the Subordinated Debentures (June 2018);
- (f) the material change report dated March 8, 2019 relating to the Offering;
- (g) the management information circular of the Corporation dated April 4, 2018 which was sent to Shareholders in connection with the annual and special meeting of the Shareholders held on May 9, 2018; and
- (h) the term sheet for the Offering dated March 6, 2019 (the “**Marketing Materials**”).

All documents of the type required by National Instrument 44-101 *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus including, but not limited to, any news release issued by the Corporation that specifically states that it is intended to be incorporated by reference into this short form prospectus and any material change reports (excluding confidential material change reports), comparative interim financial statements, comparative annual financial statements and the independent auditor’s report thereon, all management’s discussion and analysis of the Corporation’s operating results and financial position and information circulars (other than those portions that are not required to be incorporated by reference under applicable securities laws) which are filed by the Corporation with a securities commission or similar regulatory authority in any of the provinces or territories of Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus. Additionally, any template version of marketing materials for the Offering filed by the Corporation with a securities commission or similar regulatory authority in any of the provinces of Canada after the date of this short form

prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this short form prospectus, to the extent that a statement contained herein, or in any other subsequently filed document that also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this short form prospectus.

MARKETING MATERIALS

The Marketing Materials are not part of this short form prospectus to the extent that the contents of the Marketing Materials may have been modified or superseded by a statement contained in this short form prospectus. See “Documents Incorporated by Reference”. Any template version of “marketing materials” (as defined in National Instrument 41-101 *General Prospectus Requirements*) filed after the date of this short form prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated into this short form prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Counsel, based on the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof and Counsel’s understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof, provided that the Common Shares are listed on a designated stock exchange (which includes the Exchange) at all relevant times, the Debentures being offered pursuant to this short form prospectus and the Common Shares issuable upon the conversion, redemption or maturity of the Debentures will be qualified investments under the Tax Act for Plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm’s length with the Corporation, has made a contribution). Adverse tax consequences may apply to a Plan, or an annuitant, beneficiary or subscriber thereunder or holder thereof, if the Plan acquires or holds property that is not a qualified investment for the Plan.

Notwithstanding that the Debentures or the Common Shares issuable upon the conversion, redemption or maturity of the Debentures may be qualified investments for a trust governed by a tax-free savings account (“TFSA”), registered disability savings plan (“RDSP”), registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”) or registered education savings plan (“RESP”), the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF, or the subscriber of an RESP, as the case may be, will be subject to a penalty tax if the Debentures or such Common Shares are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RDSP, RRSP, RRIF or RESP. Generally, the Debentures or such Common Shares will not be a “prohibited investment” for such a plan provided that the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) deals at arm’s length with the Corporation for purposes of the Tax Act and (ii) does not have a “significant interest” (as defined in the Tax Act) in the Corporation. In addition, the Common Shares issuable upon the conversion, redemption or maturity of the Debentures will not be a “prohibited investment” if such Common Shares are “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for such Plans.

Holders, annuitants and subscribers should consult their own tax advisors with respect to whether the Debentures or the Common Shares would be prohibited investments in their particular circumstances, including with respect to whether the Common Shares would be “excluded property” (as defined in the Tax Act).

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements. All statements other than statements of historical fact contained in this short form prospectus and the documents incorporated by reference herein are forward-looking statements, including, without limitation, statements regarding the potential completion of the Offering, future financial position, business strategy, completed acquisitions and the potential impact of the Offering and such completed 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. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

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 assets; 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 Indenture and other trust indentures of the Corporation; 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 short form prospectus, including the information set forth under "Risk Factors" in this short form prospectus and "Risk Factors" in the Corporation's 2017 AIF and the management's discussion and analysis of the Corporation's operating results and financial position for the year ended December 31, 2018, 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 are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included or incorporated by reference in this short form prospectus are made as of the date of this short form prospectus 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.

NON-IFRS FINANCIAL MEASURES

In certain documents incorporated by reference in this short form prospectus, the Corporation utilizes the terms EBITDA, Adjusted Net Earnings, Free Cash Flow, Maintenance Capital Expenditures and Growth Capital Expenditures which are not recognized measures under IFRS and are, therefore, defined below.

EBITDA is defined as earnings before interest, income taxes, depreciation, amortization, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment and restructuring costs, and any unusual non-operating one-time items such as acquisition costs. It is used by management to assess its consolidated results and the results of its operating segments. EBITDA is a performance measure utilized by many investors to analyze the cash available for distribution from operations before allowance for debt service, capital expenditures and income taxes.

Adjusted Net Earnings is defined as net earnings adjusted for acquisition costs expensed, amortization of intangible assets that are purchased at the time of acquisition and non-recurring items. Adjusted Net Earnings is a performance measure, along with Free Cash Flow less maintenance capital expenditures, which the Corporation uses to assess cash flow available for distribution to shareholders.

Free Cash Flow for the year is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital and long-term deferred revenue, acquisition costs and any unusual non-operating one-time items. Free Cash Flow is a performance measure used by management and investors to analyze the cash generated from operations before the impact of changes in working capital items or other unusual items.

Maintenance Capital Expenditures are the capital expenditures made by the Corporation to maintain the operations of the Corporation at its current level and include the principal payments made by the Corporation on its finance leases and depreciation recorded on assets in the Corporation's leasing pool. Other capital expenditures are classified as Growth Capital Expenditures as they will generate new cash flows and are not considered by management in determining the cash flows required to sustain the current operations of the Corporation. The Corporation's maintenance capital expenditures include aircraft engine overhauls and airframe heavy checks that are recognized when these events occur and can be significant. Each aircraft type has different requirements for its major components according to manufacturer standards and the timing of the event can be dependent on the extent that the aircraft is utilized. As a result the extent and timing of these maintenance capital expenditure events can vary significantly from period to period, both within the year and when analyzing to the comparative period in the prior year.

Readers are cautioned that EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures and Growth Capital Expenditures should not be viewed as an alternative to measures that are recognized under IFRS such as net earnings or cash flow from operating activities. The Corporation's method of calculating EBITDA, Adjusted Net Earnings, Free Cash Flow and Maintenance Capital Expenditures and Growth Capital Expenditures may differ from that of other entities and therefore may not be comparable to measures utilized by them.

EXCHANGE INCOME CORPORATION

The Corporation is a corporation governed by the federal laws of Canada. The head office of the Corporation is located at 1067 Sherwin Road in Winnipeg, Manitoba. The Corporation is currently authorized to issue an unlimited number of Common Shares. There were 31,372,260 Common Shares issued and outstanding as at March 11, 2019. The Common Shares are listed for trading on the Exchange under the trading symbol “EIF”. In addition, as at March 11, 2019, there were: (i) \$27,860,000 aggregate principal amount of Subordinated Debentures (February 2014) issued and outstanding; (ii) \$68,975,000 aggregate principal amount of Subordinated Debentures (June 2016) issued and outstanding; (iii) \$100,000,000 aggregate principal amount of Subordinated Debentures (December 2017) issued and outstanding; (iv) \$80,500,000 aggregate principal amount of Subordinated Debentures (June 2018) issued and outstanding; and (v) 833,964 deferred shares granted under the Corporation’s deferred share plan, 731,442 of which have vested.

For a summary of the inter-corporate relationships between the Corporation and its Subsidiaries and other investee companies, please see “Structure of the Corporation - Inter-corporate Relationships” in the Corporation’s 2017 AIF, which is incorporated by reference in this short form prospectus. In addition to the Subsidiaries set forth therein, the Corporation indirectly owns all of the issued and outstanding shares of CANLink and, through a combination of direct and indirect ownership interests within the Wasaya Group, has 51% of the voting interests of the Wasaya Group and 49% of the equity interests of the Wasaya Group. See “Summary Description of the Corporations Business – Operating Subsidiaries”.

SUMMARY DESCRIPTION OF THE CORPORATION’S BUSINESS

General

The Corporation is a diversified, acquisition-oriented corporation focused on opportunities in aerospace, aviation services and equipment, 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 or businesses or interests therein in order to expand and diversify the Corporation’s investments.

Acquisition Strategy

The Corporation’s acquisition strategy is to target strong niche businesses with attractive free cash flows, which acquisitions 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.

Implementation of Acquisition Strategy

From its inception, the Corporation has made numerous acquisitions. The Corporation currently owns Operating Subsidiaries in two segments: (i) aerospace & aviation; and (ii) manufacturing. See “Operating Subsidiaries” below.

Internal Growth Strategy

The Corporation closely monitors management of the Operating Subsidiaries 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.

Operating Subsidiaries

For details of all of the Operating Subsidiaries as at December 31, 2017, see “Narrative Description of the Business” in the Corporation’s 2017 AIF, which is incorporated by reference in this short form prospectus.

As at the date hereof, the Operating Subsidiaries also include CANLink and Wasaya Group. The Wasaya Group is legally considered to be a Subsidiary of the Corporation as the Corporation owns more than 50% of the voting interests in the Wasaya Group but the Wasaya Group is accounted for by the Corporation under the equity method as required by IFRS.

For more information regarding CANLink, see the Corporation’s material change report dated March 5, 2018 and the management’s discussion and analysis of the Corporation’s operating results and financial position for the year ended December 31, 2018, each which is incorporated by reference herein.

On April 19, 2018, the Corporation closed a partnership transaction involving Wasaya Group for the purpose of enhancing the level of air service in northwestern Ontario and to creating operational efficiencies. For more information regarding the partnership transaction involving Wasaya Group, see the Corporation’s management’s discussion and analysis of its operating results and financial position for the year ended December 31, 2018, which is incorporated by reference herein.

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

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.

The Directors of the Corporation are Duncan D. Jessiman, Michael Pyle, Edward Warkentin, Gary Filmon, Donald Streuber, Serena Kraayeveld, Gary Buckley, Brad Bennett, Allan Davis, Polly Craik and Melissa Sonberg. The current executive officers of the Corporation are Michael Pyle (Chief Executive Officer), Carmele Peter (President), Richard Wowryk (Interim Chief Financial Officer), Adam Terwin (Chief Corporate Development Officer), Duncan D. Jessiman (Executive Vice-Chairman), Darwin Sparrow (Chief Operating Officer), David White (Executive Vice-President, Aviation) and Dianne Spencer (Corporate Secretary).

RECENT DEVELOPMENTS

In addition to those developments discussed elsewhere in this short form prospectus, the following is a summary of the significant developments of the Corporation which have occurred since December 31, 2018:

Amendment to Credit Facility

On February 1, 2019, the Corporation further amended the Credit Facility to obtain more favourable pricing and extend its term. The amended Credit Facility includes improved pricing on both amounts borrowed under the Credit Facility and

standby charges paid for the unutilized portion of the Credit Facility. The maturity date of the Credit Facility has been extended to May 7, 2023.

Renewal of Normal Course Issuer Bid

On February 8, 2019, the Corporation renewed its normal course issuer bid (“**NCIB**”). Under the NCIB, purchases can be made during the period commencing on February 22, 2019 and ending on February 21, 2020. Under the renewed NCIB, the Corporation can purchase a maximum of 1,567,004 Common Shares and daily purchases are limited to 21,522 Common Shares, other than block purchase exemptions. The Corporation undertakes 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. The Corporation believes that in such circumstances, the Corporation’s purchase of Common Shares represents an accretive use of capital.

Joint Venture with Skywest

On February 19, 2019, the Corporation announced that it had completed a joint venture with SkyWest, Inc. (“**SkyWest**”) to acquire, lease and sell CF34 engines, expanding its relationship with SkyWest, Inc. As part of the transaction, Regional One, Inc., a wholly owned Subsidiary of the Corporation, will purchase CRJ700 airframes from SkyWest. The airframes will be parted out, leased and sold consistent with Regional One’s business model.

Aerial Surveillance Contract Award by the Government of Canada

On March 4, 2019, the Corporation announced that PAL Aerospace Ltd. (“**PAL Aerospace**”), a wholly owned Subsidiary of the Corporation, has been awarded a long-term contract by the Government of Canada to continue the provision of aerial surveillance services for Canada’s inland, coastal and offshore waters. The new five year contract takes effect in August 2020 with subsequent options to renew for up to five additional years. This new award will materially increase the scope and nature of services provided under the existing contract between PAL Aerospace and the Government of Canada. PAL Aerospace’s critical role in the delivery of Canada’s aerial surveillance program provides the Government of Canada with the capability to monitor domestic and foreign vessel activities and detect potential violations. The program also contributes significantly to pollution surveillance, environmental monitoring, and marine security for a number of other federal departments and agencies.

Appointment of Interim Chief Financial Officer

Effective March 7, 2019, Mr. Richard Wowryk was appointed Interim Chief Financial Officer.

USE OF PROCEEDS

The net proceeds from the Offering (without giving effect to the Over-Allotment Option) are estimated to be \$72,000,000, after deducting the Underwriters’ fee of \$3,000,000 but before deducting the expenses of the Offering estimated at \$725,000. The Corporation intends to use the net proceeds of the Offering to fund the redemption of the Subordinated Debentures (February 2014). Any excess net proceeds will be used to repay indebtedness under the Credit Facility. There is currently \$27,860,000 principal amount of Subordinated Debentures (February 2014) outstanding. The Subordinated Debentures (February 2014) are convertible into Common Shares at a price of \$31.70 per Common Share at any time up to but excluding the date of redemption.

If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters’ fee and net proceeds to the Corporation (prior to the deduction of the expenses of the Offering estimated at \$725,000) will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. The Corporation intends to use the net proceeds from the Over-Allotment Option, if any, to repay indebtedness under the Credit Facility.

Unallocated funds will be deposited in the Corporation’s various bank accounts and added to the working capital of the Corporation. The Interim Chief Financial Officer of the Corporation is responsible for the supervision of all financial assets of the Corporation. Based on the Corporation’s cash flow requirements, management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

The Corporation has used the funds from the Credit Facility for a number of purposes. The principal purposes of the indebtedness incurred by the Corporation under the Credit Facility in the past two years included:

- (a) to fund a portion of the purchase price of the assets of QWS Investments Inc. (formerly Quest Window Systems Inc.), which was completed on November 14, 2017;
- (b) to fund a portion of the purchase price for the Corporation's acquisition of CANLink;
- (c) to fund the loan made to Wasaya Group Inc. in connection with the transaction with the Wasaya Group;
- (d) to fund the repurchase of Common Shares pursuant to the Corporation's normal course issuer bid;
- (e) to fund a portion of the purchase price for the Corporation's acquisition of certain assets and operations of Wings Over Kissing; and
- (f) to fund various other capital expenditures and working capital requirements by the Corporation and its Subsidiaries.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Corporation has agreed to sell and the Underwriters have agreed to purchase as principals on the Closing Date, being on or about March 26, 2019, \$75,000,000 aggregate principal amount of Debentures at a price of \$1,000 per \$1,000 principal amount of Debentures payable in cash to the Corporation. The Offering is being made by way of short form prospectus in all of the provinces of Canada. The price and terms of the Debentures were determined by negotiation between the Corporation and the Underwriters. The Corporation has agreed to pay the Underwriters a fee equal to 4% of the gross proceeds of the Offering.

Pursuant to policy statements of the Ontario Securities Commission, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exemptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Debentures. The exceptions include a bid or purchase permitted under the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the bid was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Corporation has granted to the Underwriters the Over-Allotment Option which entitles the Underwriters to purchase up to an additional \$11,250,000 principal amount of Debentures, representing up to 15% of the aggregate principal amount of Debentures sold under the Offering, for purposes of covering over-allocations, if any, and for market stabilization purposes, on the same terms as described above, exercisable in whole or in part at any time up to the date that is 30 days from the Closing Date. This short form prospectus also qualifies the grant of the Over-Allotment Option to the Underwriters and the distribution of any Debentures that are issued pursuant to the exercise of the Over-Allotment Option. The Underwriting Agreement provides that the Corporation will pay the Underwriters a fee of 4% of the gross proceeds from the sale of additional Debentures pursuant to the exercise of the Over-Allotment Option.

A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those Debentures under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated in certain circumstances upon the occurrence of certain stated events. Such events include, but are not limited to: (i) any inquiry, action, suit, investigation or other proceeding (whether formal or informal) being commenced, announced or threatened or any order being made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality including, without limitation, the Exchange or any securities regulatory authority or any law or regulation being enacted or changed, or any change announced in the interpretation or

administration thereof by the Exchange or securities regulatory authority, which in the opinion of an Underwriter, acting reasonably, operates or could operate to prevent or restrict the distribution of the Debentures, trading of the Debentures or the Common Shares or materially and adversely affect or could reasonably be expected to or will materially and adversely affect the market price or value of the Debentures or the Common Shares; (ii) if there should develop, occur or come into effect or existence any event, action, state, circumstance, condition or major financial occurrence, catastrophe, accident, natural disaster, public protest, financial occurrence, war or act of terrorism, or other occurrence of national or international consequence or any law, regulation or governmental action which in the opinion of an Underwriter, acting reasonably, materially and adversely affects, or involves, or could reasonably be expected to, or will, materially and adversely affect the financial markets or the business, operations or affairs of the Corporation and its Operating Subsidiaries taken as a whole or the market price or value of the Debentures or the Common Shares; (iii) a cease trading order is made or threatened respecting any of the Corporation's securities by any securities commission or other competent authority by reason of the fault of the Corporation or its directors, officers and agents; (iv) any material change in the affairs of the Corporation, or an Underwriter becoming aware of any previously undisclosed material fact or change in a material fact required to be disclosed by the Corporation or a change in any material fact which, in the opinion of an Underwriter, acting reasonably, has or would be expected to have a significant adverse effect on the business, operations or capital of the Corporation (on a consolidated basis) or on the market price or value of the Debentures or the Common Shares, or result in a material number of purchasers of Debentures exercising rescission rights or suing for damages thereunder; (v) there is announced any change or proposed change in the income tax laws of Canada or the interpretation or administration thereof and such change would, in the opinion of an Underwriter, acting reasonably, be expected to have a significant adverse effect on the market price or value of the Debentures or Common Shares; and (vi) the Corporation being in breach of a material term, condition or covenant of the Underwriting Agreement.

The Underwriters are, however, obligated to take up and pay for all of the Debentures if any of the Debentures are purchased pursuant to the Underwriting Agreement. The Corporation has agreed to indemnify the Underwriters and their respective shareholders, directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial securities legislation, or to contribute to any payments the Underwriters may be required to make in respect thereof.

The Corporation has agreed with the Underwriters that it will not, for the period commencing March 6, 2019 and ending 90 days after the Closing Date, directly or indirectly, without the prior written consent of the Lead Underwriters on behalf of the Underwriters, not to be unreasonably withheld, offer, issue, sell, authorize the offering or issuance or sale of, or agree or announce any intention to offer, issue or sell, any convertible debentures, any Common Shares or other financial instruments or securities convertible into or exchangeable or exercisable for Common Shares (or enter into any derivative transaction having the effect of any of the foregoing), except: (i) pursuant to acquisitions, subject to any selling shareholder who receives securities from the Corporation being locked up for a period of 90 days following the Closing Date; (ii) to satisfy obligations under any agreement or instrument of the Corporation already existing or issued as of March 6, 2019; (iii) deferred shares pursuant to the Corporation's deferred share plan; (iv) to satisfy obligations under the Corporation's dividend reinvestment plan, deferred share plan or employee share purchase plan; (v) under any rights plan adopted from time to time by the Corporation; or (vi) Debentures issued pursuant to the Over-Allotment Option.

The Debentures (and the underlying Common Shares) have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "**1933 Act**"), or any state securities laws, and accordingly may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. Person or a person in the United States except pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. The Corporation has applied to the Exchange for approval of the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable upon conversion, redemption or maturity thereof on the Exchange. Listing will be subject to the Corporation satisfying all of the requirements of the Exchange.

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without prior notice. At the closing of the Offering, the Debentures will be

available for delivery in book entry form only, except in limited circumstances, through the facilities of CDS. A purchaser of Debentures will receive only a customer confirmation from a registered dealer who is a Participant through which the Debentures were purchased.

The Underwriters propose to offer the Debentures initially at the Offering Price of \$1,000 per \$1,000 principal amount of Debentures. After the Underwriters have made a reasonable effort to sell all of the Debentures at \$1,000 per Debenture, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than \$1,000 per Debenture, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Debentures is less than the proceeds paid by the Underwriters to the Corporation.

Limitation on Non-Canadian Ownership

The *Canada Transportation Act*, as amended, and the articles of amalgamation of the Corporation (the “**Articles**”), as may be amended from time to time, contain restrictions on ownership, transfer and, in certain circumstances, voting of Common Shares. The Articles contain 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, 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 Articles permit the Corporation to sell Common Shares held by Non-Canadians in the event that Non-Canadians own greater than 20% of the issued and outstanding Common Shares. The Corporation monitors the ownership of its Common Shares by Non-Canadians by requesting, on a semi-annual basis, declarations regarding beneficial ownership from financial institutions that hold Common Shares on behalf of Shareholders. These declarations provide a summary of the number of Common Shares held by Non-Canadians. The Canadian Transportation Agency is provided with a copy of this report.

For further details of the restrictions on ownership of Common Shares by Non-Canadians, see the articles of amalgamation of the Corporation which have been filed on SEDAR at www.sedar.com.

EARNINGS COVERAGE RATIOS

Dollar amounts disclosed in this “Earnings Coverage Ratio” section are disclosed in thousands of dollars.

The Corporation’s borrowing costs, before giving effect to the Offering, amounted to approximately \$51,706 for the year ended December 31, 2018. The Corporation’s earnings before borrowing costs and income tax for the year then ended was approximately \$140,508, which was 2.72 times the Corporation’s borrowing costs for this period.

The Corporation’s borrowing costs, after giving effect to the Offering, as if the Debentures were issued on January 1, 2018, would amount to approximately \$52,849 for the year ended December 31, 2018. The Corporation’s earnings before borrowing costs and income tax for the year ended December 31, 2018 was approximately \$140,508 which is 2.66 times the Corporation’s *pro forma* borrowing costs for this period.

The earnings coverage ratios set forth above have been prepared in accordance with Canadian disclosure requirements, using financial information that was prepared in accordance with IFRS. The earnings assume that there are no additional earnings derived from the use of the net proceeds of the Offering. The earnings coverage ratios set forth above assume that the net proceeds of the Offering will be used to redeem the Subordinated Debentures (February 2014) and any excess net proceeds will be used to repay indebtedness under the Credit Facility.

Earnings coverage is equal to net income before borrowing costs and income taxes divided by borrowing costs. The earnings coverage ratio includes the borrowing costs on all debt securities of the Corporation in the calculation assuming that the full principal amount of such debt securities, after giving effect to the Offering, would be characterized as debt and borrowing costs would be characterized as interest expense in the financial statements.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures and certain attributes and characteristics which will be incorporated into the Trust Indenture. The following does not purport to be complete and for full particulars, reference should be made to the Trust Indenture.

The Debentures represent a direct unsecured debt obligation of the Corporation which will be issued and created pursuant to the Trust Indenture. The principal terms of the Debentures are as follows:

General

The Debentures will be issued under and governed by the Trust Indenture. The Debentures will represent a direct unsecured debt obligation of the Corporation and will be issuable only in denominations of \$1,000 and integral multiples thereof. At the closing of the Offering, the Debentures will be available for delivery in book-entry form only through the facilities of CDS. Subject to certain exceptions, holders of beneficial interests in Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. No fractional Debentures will be issued.

Principal Amount and Maturity Date

The principal amount of each Debenture is \$1,000. There will be 75,000 Debentures issued, representing aggregate indebtedness of the Corporation of \$75,000,000, subject to up to an additional 11,250 Debentures being issued pursuant to the exercise of the Over-Allotment Option. The Maturity Date of the Debentures will be March 31, 2026. The Debentures are repayable in full on the Maturity Date, subject to the prior redemption thereof.

Interest Rate and Interest Payment Dates

The Debentures bear interest at a rate of 5.75% per annum. Interest is payable semi-annually, in arrears, on March 31 and September 30 in each year, commencing on September 30, 2019. The first interest payment will include interest accrued from, and including, the closing of the Offering to, but excluding, September 30, 2019.

Debentureholders' Conversion Privilege

Each Debenture will be convertible, at the Debentureholders' option, into Common Shares, at any time prior to the close of business on the business day prior to the Maturity Date, or if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at the Conversion Price, equal to the Conversion Rate, subject to adjustment upon the occurrence of certain events. Debentureholders converting their Debentures will receive interest on such Debentures from the period of the last Interest Payment Date thereon (or the Closing Date if no interest has yet been paid by the Corporation) to and including the last record date for determining dividends to Shareholders declared by the Corporation prior to such conversion. Notwithstanding the foregoing, no Debenture may be converted during the five business days preceding each Interest Payment Date.

Subject to the provisions thereof, the Trust Indenture provides for the adjustment of the Conversion Price in certain events, including the subdivision or consolidation of the outstanding Common Shares, the distribution of Common Shares by way of dividend or otherwise, the issuance of rights or warrants to acquire Common Shares or securities convertible into Common Shares at less than 95% of the then Current Market Price, and the distribution to all or substantially all holders of Common Shares of any securities or assets (other than cash dividends). The Corporation will not be required to make adjustments to the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

If the Corporation is a party to any reclassification of the Common Shares (other than a change resulting from a consolidation or subdivision of Common Shares) or a consolidation, amalgamation, merger, binding share exchange, statutory arrangement, sale or conveyance of all or substantially all of the Corporation's consolidated assets to another person or entity or other similar combination involving the Corporation, in each case pursuant to which the Common Shares are converted into cash, securities or other property, then at the effective time of such transaction the Corporation or the successor or purchasing person, as the case may be, shall execute with the Indenture Trustee a supplemental indenture

providing that, subject to the provisions set out below, the Debentures shall be convertible into the kind and amount of cash, securities or other property receivable upon such transaction by a Debentureholder had such Debentureholder converted its Debentures immediately prior to such transaction solely for Common Shares (the “**Reference Property**”). If such transaction causes the Common Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election), the Reference Property into which the Debentures will be convertible shall be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Shares that affirmatively make such an election. Notwithstanding the foregoing, if prior to the date that is five years plus one day from the last date of original issuance of Debentures, Debentureholders would otherwise be entitled to receive, upon conversion of the Debentures, any property (including cash) or securities that would not constitute “prescribed securities” for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied immediately before January 1, 2008 (referred to herein as “**Ineligible Consideration**”), such Debentureholders shall not be entitled to receive such Ineligible Consideration but the Corporation or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Corporation or the successor or acquirer, as the case may be) to deliver either such Ineligible Consideration or “prescribed securities” for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied immediately before January 1, 2008 with a market value (as conclusively determined by the Directors) equal to the market value of such Ineligible Consideration. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in the Trust Indenture.

No fractional Common Shares will be issued on any conversion of the Debentures but the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Subordination to Senior Indebtedness

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the Corporation, provided that the Corporation is entitled to pay interest and the principal amount owing under the Debentures so long as the conditions for such payment which are specified in any applicable subordination agreement are complied with.

Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture issued under the Trust Indenture will rank *pari passu* with each other debenture issued under the Trust Indenture, and with all other present and future subordinated and unsecured indebtedness of the Corporation except for sinking provisions (if any) applicable to different series of debentures issued under the Trust Indenture or similar types of obligations of the Corporation in respect of debentures issued under the Trust Indenture.

Payment on Redemption or Maturity

On redemption or at maturity, the Corporation will repay the indebtedness represented by the Debentures by paying to the Indenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 and not less than 40 days’ prior notice and subject to applicable regulatory approval and provided that no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the aggregate principal amount of the Debentures which are to be redeemed or the aggregate principal amount of the Debentures which are due on the Maturity Date, as the case may be, by issuing freely tradeable Common Shares to the holders of the Debentures (the “**Share Redemption Right**”). Any accrued and unpaid interest thereon will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the Weighted Average Price of the Common Shares for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as the case may be. No fractional Common Shares will be issued on redemption or maturity but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Restriction on Share Redemption

The Corporation shall not, directly or indirectly (through a Subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

- (a) the number of securities to be issued;
- (b) the price at which securities are to be issued, converted or exchanged; or
- (c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly, (i) the exercise or potential exercise of the Share Redemption Right, or (ii) the current market price determined in connection with the exercise or potential exercise of the Share Redemption Right.

Redemption Right of the Corporation

Other than as noted below, the Debentures will not be redeemable on or before March 31, 2022. After March 31, 2022, but prior to March 31, 2024, all, but not less than all, of the Debentures will be redeemable 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 aggregate principal amount of the Debentures to be redeemed plus all accrued and unpaid interest thereon 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. On and after March 31, 2024, but prior to the Maturity Date, all, but not less than all, of the Debentures will be redeemable 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 aggregate principal amount of the Debentures to be redeemed, plus all accrued and unpaid interest thereon up to but excluding the date of redemption. If the Corporation elects to redeem the Debentures, the Debentureholders shall have the option to convert the Debentures into Common Shares at the applicable Conversion Price effective on the business day immediately preceding the date of redemption.

Purchase of Debentures for Cancellation

The Corporation may, if it is not in default pursuant to the 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 (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 (the "**Change of Control Offer**") in writing to repurchase all of the Debentures at a price equal to 100% of the aggregate principal amount of the Debentures to be repurchased (the "**Offer Price**"), plus accrued and unpaid interest thereon.

If 90% or more of the aggregate principal amount of the 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 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 Debentures not tendered for purchase.

Cash Change of Control

Subject to regulatory approval (if required), if a Change of Control occurs in which 10% or more of the consideration for the voting securities of the Corporation 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 (a “**Cash Change of Control**”), then during the period beginning ten days before the anticipated date on which the Change of Control becomes effective (the “**Change of Control Date**”) and ending 30 days after the Change of Control Offer is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the “**Change of Control Conversion Price**”) determined in accordance with the terms of the Trust Indenture (as set out below), provided that the Change of Control Conversion Price is not less than the price permitted by the Exchange.

The Change of Control Conversion Price will be calculated as follows:

$$\text{COCCP} = \text{ECP} / (1 + (\text{CP} \times (c/t)))$$
 where:

COCCP is the Change of Control Conversion Price;

ECP is the Conversion Price in effect on the Change of Control Date;

CP = 45%;

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 Exchange, the Change of Control Conversion Price shall be deemed to be the lowest price permitted by the Exchange. 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 the Debentures by delivering sufficient freely tradeable Common Shares to the Indenture Trustee in accordance with the Trust Indenture for sale by the Indenture Trustee (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. The Trust Indenture will provide 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

The Trust Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a “take-over bid” for the Debentures within the meaning of National Instrument 62-104 *Take-over Bids and Issuer Bids* if the Debentures were considered equity securities and not less than 90% of the outstanding principal amount of the 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 the Debentures held by Debentureholders who did not accept the offer on the same terms offered by the offeror.

Book Entry, Delivery and Form

Except in certain limited circumstances, Debentures will be issued in the form of fully registered global Debentures (the “**Global Debentures**”) held by, or on behalf of, CDS as custodian for its Participants.

Purchasers of Debentures represented by Global Debentures will not receive Debentures in definitive form. Rather, the Debentures will be represented only in “book-entry only” form (unless the Corporation, in its sole discretion, elects to prepare and deliver Debentures in fully registered form). Beneficial interests in the Global Debentures, constituting ownership of the Debentures, will be represented through book-entry accounts of institutions (including the Underwriters) acting on behalf of the Beneficial Owners, as direct and indirect Participants. Each purchaser of a Debenture represented by a Global Debenture will receive a customer confirmation of purchase from the applicable Underwriter or registered dealer from whom the Debenture is purchased in accordance with the practices and procedures of the applicable Underwriter or registered dealer. The practices of the applicable Underwriter or other registered dealers may vary but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in Global Debentures.

If CDS notifies the Corporation that it is unwilling or unable to continue as depositary in connection with the Global Debentures or if at any time CDS ceases to be a clearing agency or otherwise ceases to be eligible to be a depositary and the Corporation and the Indenture Trustee are unable to locate a qualified successor, or if the Corporation elects, in its sole discretion, to terminate the book-entry system, with the consent of the Indenture Trustee, beneficial owners of Debentures represented by Global Debentures at such time will receive Debentures in registered and definitive form (the “**Definitive Debentures**”).

Transfer and Exchange of Debentures

Transfers of beneficial ownership in Debentures represented by the Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominees (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Unless the Corporation elects, in its sole discretion, to prepare and deliver Definitive Debentures, beneficial owners who are not Participants in CDS’s book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures, may do so only through Participants in CDS’s book-entry system.

The ability of a Beneficial Owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a participant) may be limited due to a lack of a physical certificate.

Registered holders of Definitive Debentures may transfer such Debentures upon payment of such taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debentures to the registrar for the Debentures at its principal office in Toronto, Ontario or such other city or cities as may from time to time be designated by the Corporation whereupon new Debentures will be issued in authorized denominations in the same aggregate principal amount as the Debentures so transferred, registered in the names of the transferees. No transfer of a Debenture will be registered during the period five business days before the mailing of a notice of redemption of the Debentures and ending at the close of business on the day of such mailing or during periods commencing on the date that is five business days prior to an Interest Payment Date or the Maturity Date.

Payments

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture. As long as CDS is the registered holder of a Global Debenture, CDS or its nominee will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Trust Indenture and the Debentures. The record date for the payment of interest will be the last business day (a business day being a day on which banking institutions are open in the City of Toronto, Ontario) of the month preceding the month of the applicable Interest Payment Date. Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to CDS or its nominee, as the case may be.

The Corporation understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit Participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown in the records

of CDS or its nominee. The Corporation also understands that payments of interest and principal by Participants to owners of beneficial interest in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participants. The responsibility and liability of the Corporation in respect of payments on Debentures represented by the Global Debenture is limited solely and exclusively to making payment of any interest and principal due on such Global Debenture to CDS or its nominee.

If Definitive Debentures are issued instead of or in place of Global Debentures, payments of interest on each Definitive Debenture will be made by electronic funds transfer, if agreed to by the holder of the Definitive Debenture, or by cheque dated the applicable Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Debentures, at the close of business on the last business day of the month preceding the month of the applicable Interest Payment Date. Payment of principal on the Maturity Date will be made at the principal office of the paying agent in the City of Toronto, Ontario (or in such other city or cities as may from time to time be designated by the Corporation) against surrender of the Definitive Debentures, if any. If the due date for payment of any amount of principal or interest on any Definitive Debentures is not, at the place of payment, a business day, such payment will be made on the next business day and the holder of such Definitive Debentures shall not be entitled to any further interest or other payment in respect of such delay.

Certain Covenants of the Corporation

Under the Trust Indenture, the Corporation will covenant substantially to the effect that, so long as any of the Debentures remain outstanding:

- (a) subject to the express provisions of the Trust Indenture, 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 and its Subsidiaries 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 monies which will have been paid by the Indenture Trustee in and about the administration and execution of the trusts thereby created (including reasonable compensation of its counsel and other advisors not regularly in its employ) with interest at the rate of 2% per month (26.82% per annum) 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 monies 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 Debentures or interest thereon. The said remuneration will continue to be payable until such trusts be finally wound up and whether or not the trusts of the 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 Debentureholders given by extraordinary resolution (as defined in the Trust Indenture), call for redemption, declare or pay any dividend (other than a dividend of shares of the Corporation) on any shares in the capital of the Corporation or purchase for cancellation or make any capital distribution with respect to any shares of the Corporation, at any time when the Corporation is in arrears in payment of any principal or interest outstanding on the 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 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 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

the Corporation's 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 Trust Indenture and the Debentures are duly performed;
- (h) the Corporation will maintain or cause to be maintained (to the extent that the nature of its interest permits) all of its assets in good standing;
- (i) the Corporation will promptly notify the Debentureholders of any material adverse change in its business;
- (j) the Corporation will pay and discharge or cause to be paid and discharged, promptly when due, all of its taxes, assessments and governmental charges or levies imposed upon it in respect of the assets 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; provided 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 all of 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 all of 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 Debentures and Common Shares on the Exchange and any other stock exchange(s) upon which the Debentures or Common Shares may become listed.

Events of Default

The Trust Indenture will provide that each of the following events constitutes an “**Event of Default**” for the purposes thereof:

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

- (e) if the Corporation neglects to observe or perform any other covenant or condition contained in the 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 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) agrees 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 aggregate principal amount of the Debentures then outstanding will have the power (in addition to the powers exercisable by an extraordinary resolution of holders of Debentures) 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) subject to certain waiver and expense reimbursement provisions, the Indenture Trustee may, in its discretion, and shall, upon the request of holders of not less than 25% of the aggregate principal amount of Debentures, declare the principal (and premium, if any) and interest on all 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 the 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.

Amendments to Debentures

From time to time the Indenture Trustee, without the consent of the holders of the Debentures, may enter into a supplemental indenture for certain purposes, including the correction or rectification of any ambiguities, defective provisions, errors or omissions in the Trust Indenture, provided that in the opinion of the Indenture Trustee on advice of counsel, the rights of the Indenture Trustee and of the holders of Debentures are in no way prejudiced thereby. Any amendment or supplement to the Debentures that adversely affects the interests of the holders of the Debentures may only be made by way of extraordinary resolution, which is defined as a resolution passed at a meeting of the holders of Debentures at which there are holders of Debentures present in person or represented by proxy representing more than 20% of the aggregate number of the then outstanding Debentures and passed by the affirmative vote of holders of Debentures representing not less than 66 2/3% of the aggregate principal amount of Debentures then outstanding represented at the meeting, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the aggregate principal amount of Debentures then outstanding.

DESCRIPTION OF THE COMMON SHARES

General

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.

Dividends

The holders of Common Shares are entitled to receive dividends, if, as and when declared by the board of Directors, 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 of Directors 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.

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 of Ownership” below); (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 below; or (vi) provisions requiring a Shareholder to contribute additional capital.

Constraints on Ownership

There are restrictions on the ownership, transfer and, in certain circumstances, voting of the Common Shares. See “Plan of Distribution - Limitation on Non-Canadian Ownership”.

CONSOLIDATED CAPITALIZATION

The Corporation will issue \$75,000,000 aggregate principal amount of Debentures pursuant to the Offering without giving effect to the Over-Allotment Option. The following table sets forth the consolidated capitalization of the Corporation as at December 31, 2018 and after giving effect to the material changes in the Common Shares and total indebtedness of the Corporation, on a consolidated basis, since December 31, 2018, including the changes that will result in the event of the completion of the Offering.

	<u>Authorized</u>	<u>December 31, 2018</u>	<u>December 31, 2018 pro forma after giving effect to the Offering ⁽¹⁾⁽²⁾</u>
	(\$000's)	(\$000's)	(\$000's)
Finance Leases		\$2,881	\$2,881
Credit Facility ⁽³⁾	\$1,018,810	\$727,169	\$683,754 ⁽⁴⁾
Convertible Debentures			
Subordinated Debentures - February 2014		\$27,860	Nil ⁽⁵⁾
Subordinated Debentures - June 2016		\$68,975	\$68,975
Subordinated Debentures - December 2017		\$100,000	\$100,000
Subordinated Debentures – June 2018		\$80,500	\$80,500
Debentures (new issue)		Nil	\$75,000
Total Indebtedness		\$1,007,385	\$1,011,110
Equity⁽⁶⁾			
Share Capital	Unlimited	\$588,498	\$590,105 ⁽⁷⁾
		(31,316,006 Common Shares)	(31,372,260 Common Shares) ⁽⁷⁾
TOTAL CAPITALIZATION		\$1,595,883	\$1,601,215

Notes:

- (1) Prior to the issuance of any Debentures pursuant to the exercise of the Over-Allotment Option, if any.
- (2) After factoring in the estimated costs of the Offering of \$725,000 and the Underwriters' fee of \$3,000,000.
- (3) The Credit Facility consists of \$945 million and US\$55 million of available credit and the authorized portion is the Canadian dollar equivalent using the foreign exchange rate as of March 6, 2019.
- (4) Assuming the redemption \$27,860 of Subordinated Debentures (February 2014) outstanding on the date hereof using the net proceeds of the Offering, with the balance of the net proceeds used to repay indebtedness under the Credit Facility. Amount is net of expenses of the Offering and the Underwriters' fee.
- (5) The Subordinated Debentures (February 2014) will be redeemed by the Corporation following the closing of the Offering. All or a portion of the aggregate principal amount of the Subordinated Debentures (February 2014) may be converted into Common Shares by the holders thereof prior to redemption by the Corporation. All Subordinated Debentures (February 2014) that are not converted into Common Shares prior to redemption will be redeemed by the Corporation using the net proceeds of the Offering (together with other available funds under the Corporation's Credit Facility, if necessary).
- (6) On a non-diluted basis.
- (7) 45,333 Common Shares have been issued by the Corporation since December 31, 2018 to the date hereof pursuant to its dividend reinvestment plan.
1,658 Common Shares have been issued by the Corporation since December 31, 2018 to the date hereof pursuant to its employee share purchase plan
9,263 Common Shares have been issued by the Corporation since December 31, 2018 to the date hereof pursuant to its deferred share plan

PRIOR SALES

Prior Sales

No Debentures (being the Debentures sold under this short form prospectus) or securities convertible into Debentures have been sold by the Corporation during the 12-month period before the date of this short form prospectus.

Trading Price and Volume

The Debentures are convertible into Common Shares, as set forth under "Description of the Debentures – Debentureholders' Conversion Privilege".

The Common Shares are listed for trading on the Exchange under the symbol “EIF”. The following is a summary of the price ranges and volumes for the Common Shares traded on the Exchange for the 12-month period prior to the date of this short form prospectus.

Period	Low (\$)	High (\$)	Volume
April, 2018	\$29.65	\$32.88	1,334,162
May, 2018	\$29.58	\$35.74	1,974,497
June, 2018	\$31.10	\$34.77	1,421,303
July, 2018	\$30.41	\$33.45	1,294,231
August, 2018	\$31.82	\$35.34	1,785,963
September, 2018	\$31.11	\$34.40	1,283,628
October, 2018	\$29.15	\$33.28	2,130,787
November, 2018	\$29.64	\$33.77	2,085,859
December, 2018	\$25.58	\$31.48	2,467,713
January, 2019	\$27.60	\$29.70	1,539,942
February, 2019	\$28.74	\$34.32	2,394,986
March 1 to March 11, 2019	\$32.23	\$34.32	767,754

RELATIONSHIP BETWEEN THE CORPORATION AND CERTAIN UNDERWRITERS

NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO and AltaCorp, each an Underwriter, are each an affiliate of one of the lenders to the Corporation and/or its Subsidiaries under the Credit Facility. The Credit Facility is for maximum principal amounts of \$945 million (denominated in Canadian or U.S. funds) and US\$55 million. As at the date hereof, the aggregate principal amounts outstanding under the Credit Facility were approximately \$249,100,000 and US\$377,050,000.

Accordingly, the Corporation may be considered to be a “connected issuer” of NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO and AltaCorp under applicable securities laws. The Corporation is in full compliance with the terms of the agreement governing the Credit Facility and no breach thereof has been waived by any of the Underwriters or their affiliates. The Corporation has granted a security interest over all of its property, assets and undertaking to the lenders under the Credit Facility. Except to the extent disclosed in the documents incorporated by reference herein, the financial position of the Corporation has not changed materially since the indebtedness under the Credit Facility was incurred.

The terms of the Offering were determined by negotiation between the Corporation and the Underwriters. No related issuer of the Underwriters required, suggested or consented to the Offering. It is anticipated that the net proceeds of the Offering will be used to fund the redemption of the Subordinated Debentures (February 2014) and to repay indebtedness under the Credit Facility. As of the date hereof, an affiliate of NBF has an approximate 12.40% participation under the Credit Facility, an affiliate of CIBC has an approximate 12.40% participation under the Credit Facility, an affiliate of LBS has an approximate 3.00% participation under the Credit Facility, an affiliate of Raymond James has an approximate 5.25% participation under the Credit Facility, an affiliate of RBC has an approximate 8.50% participation under the Credit Facility, an affiliate of Scotia has an approximate 10.90% participation under the Credit Facility, an affiliate of TD has an approximate 15.90% participation under the Credit Facility, an affiliate of BMO has an approximate 8.50% participation under the Credit Facility and an affiliate of AltaCorp has an approximate 8.50% participation under the Credit Facility. The Corporation will pay to the Underwriters, including NBF, CIBC, LBS, Raymond James, RBC, Scotia, TD, BMO and AltaCorp, a fee equal to 4.0% of the gross proceeds from the sale of Debentures under the Offering. Other than the payment of fees to the Underwriters as noted above, the proceeds of the Offering will not be applied for the benefit of any of the Underwriters or their affiliates.

INTEREST OF EXPERTS

PricewaterhouseCoopers LLP is the independent auditor who prepared the independent auditor’s report for the Corporation’s consolidated annual financial statements as at and for the years ended December 31, 2018 and December 31, 2017.

PricewaterhouseCoopers LLP is independent with respect to the Corporation within the meaning of the Chartered Professional Accountants of Manitoba Code of Professional Conduct.

MLT Aikins LLP is legal counsel to the Corporation and Blake, Cassels & Graydon LLP is legal counsel to the Underwriters. As of the date hereof, the partners and associates of MLT Aikins LLP have a registered or beneficial interest, direct or indirect, of less than 1% of the Corporation's outstanding securities of any class. As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP have a registered or beneficial interest, direct or indirect, of less than 1% of the Corporation's outstanding securities of any class.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of MLT Aikins LLP, counsel to the Corporation, and Blake, Cassels & Graydon LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Debentures pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, holds the Debentures and will hold the Common Shares issuable upon the conversion, redemption or maturity of the Debentures (collectively, the "**Securities**") as capital property and deals at arm's length with the Corporation and the Underwriters and is not affiliated with the Corporation. Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Debentures and Common Shares as capital property may, in certain circumstances, be entitled to have the Debentures and Common Shares, and all other "Canadian securities" (as defined in the Tax Act) owned or subsequently acquired by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a holder who is not, at all relevant times, resident or deemed to be resident in Canada for purposes of the Tax Act and any applicable income tax treaty, (ii) a holder that is a "financial institution", as defined in the Tax Act for the purposes of the mark-to-market rules, (iii) a holder an interest in which would be a "tax shelter investment" as defined in the Tax Act, (iv) a holder that is a "specified financial institution" as defined in the Tax Act, (v) a holder who has entered or will enter into a "derivative forward agreement" (as defined in the Tax Act) in respect of any of the Securities, (vi) a holder who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (vii) a holder that is a corporation resident in Canada and is or becomes, or does not deal at arm's length with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Debentures or the Common Shares issuable upon the conversion, redemption or maturity of the Debentures, controlled by a non-resident corporation for the purposes of section 212.3 of the Tax Act. Any such holder should consult its own tax advisor with respect to an investment in the Securities. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money or otherwise incurred debt in connection with the acquisition of Securities. **This summary does not address any Canadian federal income tax considerations applicable to non-residents of Canada, and such non-residents should consult their own tax advisors regarding the tax consequences of acquiring Debentures pursuant to the Offering or acquiring Common Shares issuable upon conversion, redemption or maturity of the Debentures.**

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and Counsel's understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in administrative policies or assessing practices, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Securities, and no representations with respect to the income

tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Debentures pursuant to the Offering or acquiring Common Shares issuable upon conversion, redemption or maturity of the Debentures, having regard to their particular circumstances.

Taxation of Debentureholders

Taxation of Interest on Debentures

A Debentureholder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues or is deemed to accrue to it to the end of the particular taxation year or that has become receivable by or is received by the Debentureholder before the end of that taxation year, except to the extent that such interest was included in computing the Debentureholder's income for a preceding taxation year.

Any other Debentureholder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Debentureholder in that taxation year (depending upon the method regularly followed by the Debentureholder in computing income), except to the extent that the interest was included in the Debentureholder's income for a preceding taxation year. In addition, if such Debentureholder has not otherwise included interest on a Debenture in computing the Debentureholder's income at periodic intervals of not more than one year, such Debentureholder will be required to include in computing income for a taxation year any interest that accrues to the Debentureholder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the Debentureholder's income for that year or a preceding year.

If interest has accrued on a Debenture, a Debentureholder who disposes of or converts the Debenture for consideration equal to its fair market value will generally be entitled to deduct in computing income for the year of disposition an amount equal to any such interest included in income for that or any preceding year to the extent that no amount was received or became receivable by the Debentureholder in respect of the interest so accrued.

A Debentureholder that throughout the relevant taxation year is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax of 10 2/3% on its "aggregate investment income", which is defined in the Tax Act to include interest income. For those holders that are Canadian controlled private corporations, the receipt of interest on debentures in excess of certain thresholds, may have an impact on their ability to claim the small business deduction.

Exercise of Conversion Privilege

Generally, a Debentureholder who converts a Debenture into Common Shares pursuant to the conversion privilege will be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Debentureholder who, upon conversion of a Debenture into Common Shares, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may elect to either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the Debentureholder receives on the conversion by the amount of the cash received.

Upon a conversion of a Debenture, interest accrued thereon to the date of conversion will be included in computing the income of the Debentureholder as described above under "Taxation of Interest on Debentures".

The aggregate cost to a Debentureholder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the Debentureholder's adjusted cost base of the Debenture immediately before the conversion subject to the discussion above regarding cash in lieu of a fraction of a Common Share. The adjusted cost base to a holder of Common Shares acquired at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the holder as capital property immediately before that time.

Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Debentureholder, including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Debentureholder's right of conversion as described above, will generally result in the Debentureholder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (computed as described below) are greater (or less) than the aggregate of the Debentureholder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

Where the Corporation elects to satisfy the redemption or purchase price or payment on maturity by issuing Common Shares to a Debentureholder instead of paying cash, the Debentureholder will be considered to have received proceeds of disposition equal to the fair market value of such Common Shares and any cash paid in lieu of fractional Common Shares at the date of disposition of the Debentures. The Debentureholder's cost of the Common Shares so received will be equal to the fair market value of such Common Shares. The adjusted cost base to a holder of Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the holder as capital property immediately before that time.

Any amount paid by the Corporation as a penalty or bonus because of the redemption or purchase for cancellation of a Debenture (for example, where the redemption price or purchase price is in excess of the principal amount) will generally be deemed to be interest (which will be excluded in computing the Debentureholder's proceeds of disposition of the Debenture) received at the time of the payment by the Debentureholder to the extent that such amount can reasonably be considered to relate to, and does not exceed the value at the time of the payment of, the interest that, but for the redemption or purchase for cancellation, would have been paid or payable by the Corporation on the Debenture for a taxation year of the Corporation ending after the time of the payment.

Upon an assignment or other transfer of a Debenture, a Debentureholder will generally be required to include in income the amount of interest accrued on the Debenture from the date of the last interest payment to the date of such assignment or transfer to the extent such amount has not otherwise been included in the Debentureholder's income for the taxation year or a preceding taxation year, and such amount will be excluded in computing the Debentureholder's proceeds of disposition of the Debenture.

Taxation of Holders of Common Shares

Receipt of Dividends on Common Shares

Dividends received or deemed to be received on the Common Shares by a holder that is an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from taxable Canadian corporations (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit for eligible dividends (as defined in the Tax Act) paid by "taxable Canadian corporations" such as the Corporation. A dividend will be eligible for the enhanced gross-up and dividend tax credit if the recipient receives written notice (which may include a notice published on the Corporation's website) from the Corporation designating the dividend as an "eligible dividend" (as defined in the Tax Act). There may be limitations on the ability of the Corporation to designate dividends as eligible dividends.

A holder that is a corporation will include dividends received or deemed to be received on Common Shares in computing its income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing its taxable income, with the result that no tax will be payable by it in respect of such dividends. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a holder that is a corporation as proceeds of disposition or a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances. Certain corporations, including a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 38 1/3% on dividends received or deemed to be received on Common Shares to the extent such dividends are deductible in computing taxable income.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a holder (except to the Corporation) will generally result in the holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a holder in a taxation year must be included in the holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a holder in a taxation year must be deducted from taxable capital gains realized by the holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable for a refundable tax of 10 2/3% on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains. For those holders that are Canadian-controlled private corporations. Taxable capital gains from the disposition of the Common Shares in excess of certain thresholds, may have an impact on a Canadian-controlled private corporation's ability to claim the small business deduction.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

RISK FACTORS

A prospective investor should carefully consider the information described in this short form prospectus and the documents incorporated by reference herein. There are certain risks inherent in an investment in the Debentures and in the activities of the Corporation and its Subsidiaries, in addition to those risks described under "Forward-Looking Statements" and the additional risks described below, which investors should carefully consider before investing in the Debentures including: 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 assets; warranty risk; global offset risk; intellectual property risk; availability of future financing; income tax matters; commodity risk; foreign exchange; interest rates; the Credit Facility and the Trust Indenture and other trust indentures of the Corporation; dividends; unpredictability and volatility of share prices; dilution risk; credit risk; reliance on key personnel; employees and labour relations; and conflicts of interest.

For a description of additional risks relating to the Corporation and its business, see “Risk Factors” in the Corporation’s 2017 AIF and in management’s discussion and analysis of the Corporation’s operating results and financial position for the year ended December 31, 2018, each of which is incorporated by reference herein.

The risks and uncertainties set out above and below and incorporated by reference herein are not the only ones facing the Corporation. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the Corporation’s operations. If any of the risks actually occur, the Corporation’s business, financial condition and operating results could be adversely affected. As a result, the trading price of the Debentures and the underlying Common Shares could decline and investors could lose part or all of their investment. The Corporation’s business is subject to significant risks and past performance is no guarantee of future performance.

Additional Risks Relating to the Debentures

No Trading Market for the Debentures

There is currently no trading market for the Debentures. The Corporation has applied to the Exchange for approval of the listing of the Debentures and the Common Shares issuable upon conversion, redemption or maturity thereof on the Exchange. Listing will be subject to the Corporation satisfying all of the requirements of the Exchange.

Redemption Prior to Maturity

Other than as set forth below, the Debentures will not be redeemable on or before March 31, 2022. After March 31, 2022, but prior to March 31, 2024, the Debentures will be redeemable, in whole or in part 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 aggregate principal amount of the Debentures to be redeemed 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 is not less than 125% of the Conversion Price. On and after March 31, 2024, but prior to the Maturity Date, the Debentures will be redeemable, in whole or in part 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 aggregate principal amount of the Debentures to be redeemed, plus all accrued and unpaid interest up to but excluding the date of redemption. Holders of Debentures should assume that this redemption option will be exercised if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Debentures.

Non-Cash Payments and Dilutive Effects on Shareholders

The Corporation may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder on the Maturity Date of the Debentures by issuing additional Common Shares or, subject to regulatory approval, make a Common Share Interest Payment Election to satisfy all or part of the Corporation’s interest payment obligations on the Debentures. Accordingly, Shareholders may suffer dilution and Debentureholders may receive Common Shares instead of cash upon redemption or maturity of the Debentures at the sole option of the Corporation and, subject to applicable regulatory approval, may receive Common Shares instead of cash for outstanding interest payments on the Debentures.

Change of Control

The Corporation is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation’s ability to purchase the Debentures in such an event may be limited by law, by the Trust Indenture, by the terms of other present or future agreements relating to the Credit Facility and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation’s future debt. The Corporation’s future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation’s obligation to offer to

purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain a consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures under its offer. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Trust Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time. If a holder of Debentures converts its Debentures in connection with a Change of Control that occurs, the Corporation may, in certain circumstances and for a limited time period, be required to increase the Conversion Rate as described under "Description of the Debentures - Cash Change of Control". While the increased Conversion Rate is designed to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Change of Control in certain circumstances, the increased Conversion Rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss.

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Trust Indenture, each Debenture will become convertible into cash, securities or other property receivable by a holder of Common Shares in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation was acquired in a cash transaction, each Debenture would become convertible ultimately only into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors. See "Description of Debentures - Debentureholders' Conversion Privilege".

Absence of Covenant Protection

The Trust Indenture will not restrict the Corporation or any of its Subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging its real or personal property or properties to secure any indebtedness or other financing. The Trust Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation or any of its Subsidiaries.

Prior Ranking Indebtedness

The Debentures will be subordinate to all Senior Indebtedness of the Corporation. The Debentures will also be effectively subordinate to claims of creditors of the Corporation's Subsidiaries except to the extent the Corporation is a creditor of such Subsidiaries ranking at least *pari passu* with such other creditors.

Volatility of Market Price of Common Shares and Debentures

The market price of the Common Shares and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at an advantageous price. Additionally, this may result in greater volatility in the market price of the Debentures than would be expected for non-convertible debt securities. Market price fluctuations in the Common Shares and Debentures may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Statements" and the risk factors set forth herein and in the Corporation's 2017 AIF and management's discussion and analysis of the Corporation's operating results and financial position for the year ended December 31, 2018. In addition, capital markets have recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Common Shares.

Investment Eligibility

The Corporation will endeavor to ensure that the Debentures and any Common Shares acquired under the terms of the Debentures continue to be qualified investments for trusts governed by RRSPs, RRIFs, deferred profit sharing plans

(except, in the case of the Debentures, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), RESPs, RDSPs and TFSAs. No assurance can be given in this regard. If the Debentures or any Common Shares acquired under the terms of the Debentures are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences.

No Increased Payments if Withholding is Required

The Trust Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to Debentureholders in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. Non-residents of Canada should consult their own tax advisors regarding the tax consequences of acquiring and holding Debentures.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Coverage Ratios

See "Earnings Coverage Ratios", which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Debentures when due. If the earnings coverage ratios of the Corporation decrease, the Corporation may become unable to pay interest or principal on the Debentures.

Discretion in the Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds". However, the Corporation will have discretion in the actual application of the net proceeds and may elect to allocate proceeds differently than described under "Use of Proceeds" if it believes it would be in its best interest to do so. The failure to apply these funds effectively could affect the Corporation's business.

Shareholder Rights

Holders of Debentures will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the board of Directors of the Corporation designates as payable to the holders of the Debentures), but if a holder of Debentures subsequently converts its Debentures into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Corporation delivers Common Shares upon conversion of a Debenture and, to a limited extent, under the Conversion Rate adjustments applicable to the Debentures. For example, in the event that an amendment is proposed to the Corporation's constating documents requiring Shareholder approval and the record date for determining the Shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

PURCHASERS' RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's

province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

Under the Trust Indenture, original purchasers of Debentures will have a contractual right of rescission against the Corporation following the conversion of such Debentures in the event that this short form prospectus or any amendment thereto contains a misrepresentation. This contractual right of rescission will entitle such original purchasers to receive from the Corporation, upon surrender of the Common Shares issued upon conversion of such Debentures, the amount paid for such Debentures, provided that the right of rescission is exercised within 180 days from the date of the purchase of such Debentures under this short form prospectus. This contractual right of rescission will be consistent with the statutory right of rescission described under section 141 of *The Securities Act* (Manitoba), and is in addition to any other right or remedy available to original purchasers of Debentures under section 141 of *The Securities Act* (Manitoba) or otherwise at law.

In an offering of convertible securities, such as the Debentures, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the convertible security was offered to the public under the prospectus offering. This means that, under securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this statutory right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: March 12, 2019

This short form prospectus, together with the documents incorporated by reference herein, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all of the provinces of Canada.

EXCHANGE INCOME CORPORATION

(Signed) MICHAEL C. PYLE
Chief Executive Officer

(Signed) RICHARD WOWRYK
Interim Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) DUNCAN D. JESSIMAN
Director

(Signed) DONALD STREUBER
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: March 12, 2019

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference herein, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of all of the provinces of Canada.

NATIONAL BANK FINANCIAL INC.

CIBC WORLD MARKETS INC.

**LAURENTIAN BANK SECURITIES
INC.**

Per: (Signed) "Bradley Spruin"

Per: (Signed) "Jason Stefanson"

Per: (Signed) "Maxime Bourgoing"

RAYMOND JAMES LTD.

**RBC DOMINION
SECURITIES INC.**

SCOTIA CAPITAL INC.

TD SECURITIES INC.

Per: (Signed) "J. Graham
Fell"

Per: (Signed) "Matt Pittman"

Per: (Signed) "Chad Graves"

Per: (Signed) "Paul Barbera"

BMO NESBITT BURNS INC.

CANACCORD GENUITY CORP.

**WELLINGTON-ALTUS PRIVATE
WEALTH INC.**

Per: (Signed) "Craig King"

Per: (Signed) "Jason Robertson"

Per: (Signed) "Trevor Coates"

ALTACORP CAPITAL INC.

**CORMARK SECURITIES
INC.**

**INDUSTRIAL ALLIANCE
SECURITIES INC.**

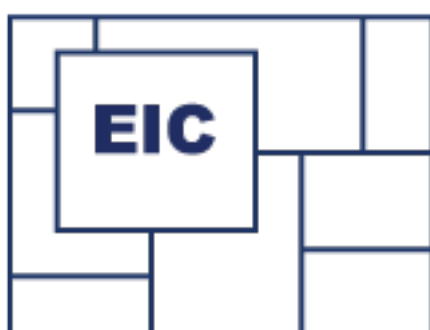
**MACQUARIE CAPITAL
MARKETS CANADA LTD.**

Per: (Signed) "Alf Sailer"

Per: (Signed) "Alfred
Avanessy"

Per: (Signed) "John Rak"

Per: (Signed) "Art Chipman"



**Exchange
Income
Corporation**