

**Strategem Capital Corporation**  
**(the “Company”)**

**Form 51-102F6V**  
***Statement of Executive Compensation***

**For the year ended December 31, 2019**

**Executive Compensation**

**Named Executive Officers**

During the financial year ended December 31, 2019, the Company had two Named Executive Officers (“NEOs”) being, Kenneth W. Morgan, the Chief Executive Officer (“CEO”) and President, and Winnie Wong, the Chief Financial Officer (“CFO”) of the Company.

“Named Executive Officer” means: (a) each CEO, (b) each CFO, (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000; and (d) each individual who would be a NEO under (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

**Compensation Discussion and Analysis**

The compensation of the Company’s NEOs is determined by the Board, which is composed of four members, three of whom are independent.

The Board’s compensation program is designed to provide competitive levels of compensation, a significant portion of which is dependent upon individual and corporate performance and contribution to increasing shareholder value. The Board recognizes the need to provide a total compensation package that will attract and retain qualified and experienced executives as well as align the compensation level of each executive to that executive’s level of responsibility. In general, a NEOs compensation is comprised of three components:

- (a) Salary, wages or contractor payments;
- (b) Discretionary bonus; and
- (c) Stock option grants.

The objectives and reasons for this system of compensation are generally to allow the Company to remain competitive compared to its peers in attracting experienced personnel. The CEO is paid a salary that is lower than his comparative salary levels for a person of his experience and capabilities because he also beneficially owns, directly or indirectly, or exercises control or direction over, directly or indirectly, 10% or more of the issued and outstanding Class A Common shares of the Company. The CFO also takes a payment as a contractor that is lower than comparative salary levels because she also works as the CFO for other companies and does not devote 100% of her time to the Company.

Stock option grants are designed to reward the NEOs for success on a similar basis as the shareholders of the Company, but these rewards are highly dependent upon the volatile stock market, much of which is beyond the control of the NEOs.

The Board has not formally considered the risks associated with the Company's compensation policies and practices. The Company's compensation policies and practices give greater weight toward long-term incentives to mitigate the risk of encouraging short term goals at the expense of long term sustainability. The discretionary nature of annual bonus awards and option grants are significant elements of the Company's compensation plans and provide the Board with the ability to reward historical performance and behaviour that the Board considers to be aligned with the Company's best interests. The Company has attempted to minimize those compensation practices and policies that expose the Company to inappropriate or excessive risks.

The Company has not established a policy on whether or not a NEO or director is permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

### Share-Based and Option-Based Awards

The Company does not grant share-based awards. Stock option grants are made on the basis of the number of stock options currently held, position, overall individual performance, anticipated contribution to the Company's future success and the individual's ability to influence corporate and business performance. The purpose of granting such stock options is to assist the Company in compensating, attracting, retaining and motivating the officers, directors and employees of the Company and to closely align the personal interest of such persons to the interest of the shareholders.

The recipients of incentive stock options and the terms of the stock options granted are determined from time to time by the Board. The exercise price of the stock options granted is generally determined by the market price at the time of grant.

### Summary Compensation Table

Set out below is a summary of compensation paid or accrued during the Company's three most recently completed financial years to the Company's NEOs.

**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
				Annual incentive plans	Long-term incentive plans			
Kenneth W. Morgan <i>CEO and President</i>	2019	115,920	N/A	N/A	N/A	N/A	N/A	115,920
	2018	115,920	N/A	N/A	N/A	N/A	N/A	115,920
	2017	115,920	N/A	N/A	N/A	N/A	N/A	115,920
Winnie Wong <i>CFO and Secretary</i>	2019	N/A	N/A	N/A	N/A	N/A	52,377 <sup>(1)</sup>	52,377
	2018	N/A	N/A	N/A	N/A	N/A	55,615 <sup>(1)</sup>	55,615
	2017	N/A	N/A	N/A	N/A	N/A	48,266 <sup>(1)</sup>	48,266

Note:

- (1) POC, a company of which Winnie Wong is the Vice President, charged a total of \$52,377, \$55,615 and \$48,266 for accounting and management fees during 2019, 2018 and 2017 respectively.

## Narrative Discussion

*Kenneth W. Morgan:* The Company entered into an agreement (the “Yew Street Agreement”) dated April 20, 2001, as amended, with Yew Street Capital Corporation (“Yew Street”), a private company wholly-owned by Mr. Morgan. Pursuant to the Yew Street Agreement, Mr. Morgan provides management consulting services, through Yew Street, to the Company. The Company paid to Yew Street a salary of \$9,660 from January 1, 2016 to December 31, 2019.

*Winnie Wong:* The Company paid a total of \$52,377 during the financial year ended 2019 to POC, a company which Ms. Wong is a Vice President, for the management and accounting services of an accounting and administrative team of two people during 2019.

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

The Company does not grant share-based awards. The following table sets forth the outstanding option-based awards held by the NEOs of the Company at the end of the most recently completed financial year:

### Outstanding Option-Based Awards

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Kenneth W. Morgan <i>CEO and President</i>	Nil	N/A	N/A	N/A
Winnie Wong <i>CFO and Secretary</i>	Nil	N/A	N/A	N/A

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

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each NEO:

### Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

Name	Option-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Kenneth W. Morgan <i>CEO and President</i>	N/A	N/A
Winnie Wong <i>CFO and Secretary</i>	N/A	N/A

## Narrative Discussion

The following information is intended as a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan, which will be available for review at the Meeting. All references to “shares” in the below description are to Class A Common shares.

1. The maximum number of shares that may be issued upon the exercise of stock options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares of the Company at the time of grant, the exercise price of which, as determined by the Board in its sole discretion, shall not be less than the closing price of the Company's shares traded through the facilities of the Exchange on the date prior to the date of grant, less allowable discounts, in accordance with the policies of the Exchange or, if the shares are no longer listed for trading on the Exchange, then such other exchange or quotation system on which the shares are listed or quoted for trading.
2. The Board shall not grant options to any one person in any 12 month period which will, when exercised, exceed 5% of the issued and outstanding shares of the Company or to any one consultant or to those persons employed by the Company who perform investor relations services which will, when exercised, exceed 2% of the issued and outstanding shares of the Company.
3. Upon expiry of an option, or in the event an option is otherwise terminated for any reason, the number of shares in respect of the expired or terminated option shall again be available for the purposes of the Stock Option Plan. All options granted under the Stock Option Plan may not have an expiry date exceeding ten years from the date on which the Board grants and announces the granting of the option.
4. In the event that an option holder holds his or her options as a director or officer of the Company and such option holder ceases to hold such position other than by reason of death or disability, the expiry date of the option shall be, unless otherwise expressly provided for in the option certificate, the 90th day following the date the option holder ceases to hold such position.
5. In the event that the option holder holds his or her options as an employee or consultant, other than an option holder who is engaged in investor relations activities, and such option holder ceases to hold such position other than by reason or death or disability, the expiry date of the option shall be, unless otherwise expressly provided for in the option certificate, the 90th day following the date the option holder ceases to hold such position, or, in the case of an option holder that is engaged in investor relations activities while the Company is classified as a Tier 2 issuer on the Exchange, the 30th day after the date such option holder ceases to hold such position.

The Board retains the discretion to impose vesting periods on any options granted.

### **Pension Plan Benefits**

The Company does not have a pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement.

### **Termination and Change of Control Benefits**

Pursuant to the Yew Street Agreement, the Company is required to pay Yew Street, a private company wholly-owned by Kenneth W. Morgan, \$250,000 upon termination of the Yew Street Agreement. The Yew Street Agreement may be terminated by the Company at any time, for any reason, by providing Yew Street with 30 days written notice.

The table below sets out the estimated incremental payments, payables and benefits due to each of the NEOs on termination without cause assuming termination on December 31, 2019.

<b>Name</b>	<b>Base Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Kenneth W. Morgan <i>CEO and President</i>	\$250,000	N/A	N/A	N/A	\$250,000
Winnie Wong <i>CFO and Secretary</i>	N/A	N/A	N/A	N/A	N/A

The table below sets out the estimated incremental payments, payables and benefits due to each of the NEOs on termination on a change of control or resignation for good cause following a change of control assuming termination or resignation on December 31, 2019.

<b>Name</b>	<b>Base Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Option-Based Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Kenneth W. Morgan <i>CEO and President</i>	\$250,000	N/A	N/A	N/A	\$250,000
Winnie Wong <i>CFO and Secretary</i>	N/A	N/A	N/A	N/A	N/A

### Director Compensation

The Company does not grant share-based awards. Other than compensation paid to the NEOs, and except as noted below, no compensation was paid to directors in their capacity as directors of the Company, in their capacity as members of a committee of the Board, or as consultants or experts, during the Company's most recently completed financial year.

Set out below is a summary of compensation paid or accrued during the Company's most recently completed financial year to the Company's directors, other than the NEOs previously disclosed:

**Director Compensation Table**

<b>Name</b>	<b>Fees Earned<sup>(1)</sup> (\$)</b>	<b>Option-based Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Mark T. Brown	\$14,000	N/A	N/A	N/A	N/A	\$14,000
Michael Katz	\$14,000	N/A	N/A	N/A	N/A	\$14,000
Marc Blythe	\$14,000	N/A	N/A	N/A	N/A	\$14,000

Note:

(1) The Company pays director fees of \$3,000 per quarter and \$500 per meeting to each director.

## Narrative Discussion

Other than as noted above, no compensation was paid to directors in their capacity as directors of the Company, in their capacity as members of a committee of the Board or as consultants or experts, during the Company's most recently completed financial year.

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

The Company does not have any share-based awards held by a director. The following table sets forth details of all awards granted to directors of the Company which are outstanding at the end of the most recently completed financial year.

### Outstanding Option-Based Awards

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Mark T. Brown	Nil	N/A	N/A	N/A
Michael Katz	Nil	N/A	N/A	N/A
Marc Blythe	Nil	N/A	N/A	N/A

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

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each director:

### Value Vested or Earned for Incentive Plan Awards During the Most Recently Completed Financial Year

Name	Option-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Mark T. Brown	N/A	N/A
Michael Katz	N/A	N/A
Marc Blythe	N/A	N/A

Dated at Vancouver, British Columbia, April 2, 2020.

## BY ORDER OF THE BOARD OF DIRECTORS

*“Kenneth W. Morgan”*

Kenneth W. Morgan  
Chief Executive Officer